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China Report

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NATIONAL POLICY AND ISSUES

JOURNAL ON REFORM TASKS IN MARKET FORMATION

HK171240 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 86 pp 43-48

[Article written by Diao Xinshen [0431 2450 3947] of the State Council's Research Center on Agricultural Development: "Task of the Reform in Market Forming--An Analysis of the Reform of the Purchasing and Marketing Structure of Agricultural Products in 1985"--passages within slantlines published in boldface]

[Text] In 1985, the country universally carried out a reform of the purchasing and marketing structure of the major agricultural products such as grain, pigs, and vegetables in large cities and towns and the system of state monopoly for purchase and marketing which had been in force for nearly 30 years was basically abolished. The producers and the consumers began to have direct contact with the market, and market liaison between production and marketing began to appear. The producers learned how to develop production according to market demands and the consumers also began to initially exercise their rights and privileges. Undoubtedly, the first step of the reform aimed at the introduction of the market was successful, but equally we should note that the formation and perfection of a market must go through a definite procedure. During this period, if we do not watch closely and begin to solve those problems arising from the market being still in a low stage of growth or development, it is possible that we may lose the fruits of the reform already attained and the traditional system may still be restored. Hence, how to organize the market and speed up the process of its growth and perfection is a new task of the reform.

New Problems: New Challenges

/1. Vacillations--important signs of market instability./

In 1985, the market prices of large quantities of agricultural products such as pigs and vegetables fluctuated violently. There was a general rise in the prices of vegetables in the large cities and towns. The 1985 average retail prices of vegetables in cities and towns throughout the country rose by 35 percent over the preceding year, and the rise was also obvious even if the prices of agricultural trade markets were taken as the base. In Hangzhou City, compared with the preceding year, the 1985 retail prices of vegetables rose by 107 percent computed on state-listed prices, by 82.53 percent computed on the basis of composite prices, and by 20 percent computed on the basis of prices of agricultural trade markets. Simultaneously with the rise in prices, the degree of price fluctuation was also very great. According to statistics of seven large cities including Beijing, Harbin, Nanjing and Hangzhou, in 1985, in the month recording the highest vegetable prices, the extent of the rise was 200 to 300 percent that of the year's average.

In 1985, in the townships and towns in the whole country the pork retail price index computed with the negotiated prices level of the preceding year as the base registered a rise of 27 percent, in which were found phenomena of sharp price increases in individual months in several provinces. In Hunan, before the liberalizing of the prices for pigs, the market retail price had been about 2.8 yuan per kg. Following the liberalizing of the sales price in May 1985, in early July the market retail price has risen to about 4 yuan per kg. In Shaoguan City, Guangdong Province, the price of port from January to March 1985 had been around only 3 yuan per kg. In August of the same year, the highest recorded was 4.40-4.80 per kg.

Since the great proportion of agricultural products are fresh products of a highly seasonal nature, it is unavoidable that there are supply and demand variations due to seasonal changes and the price fluctuations arising therefrom. It is also natural for the low prices formed during the period of government monopoly for purchase and marketing to rise in adherence to the market prices following price liberation. Unfortunately, not only have the price fluctuations of large quantities of agricultural products such as vegetables and pigs since price liberation been far wider in scope than could be explained by these factors but also the movements have been unusually frequent.

Too frequent changes in production and marketing relationships are also important manifestations of market instability. They may have been caused by price changes and can also directly bring about new fluctuations. Generally speaking, in the case of fresh and live products, it is rather difficult to form definitely fixed production and marketing relations as in the case of industrial products, but under the conditions of production and consumption not having gone through any large changes, their production and marketing relations can still be relatively stable. In 1985, following the reform of the system of unified purchases and unified sales and under the conditions of there having been no large changes in the volumes of production and consumption, rather large changes were found in the market conditions and the stable character of the production and marketing relations maintained by the original structure was broken, thereby causing market fluctuations.

For example, when the system of purchase levies was enforced, of the pigs sold in Guangdong Province [?] percent were [?] from the province itself while 20 percent were from other provinces. In 1985, following the abolition of the system, the consumption volume of local small markets comprising mostly peasants went up and the flow of live pigs from producing areas to the cities and towns decreased in volume. The volume of inflow from other provinces increased, rising to over 40 percent of the market sales volume. At the same time, in Hunan Province, Guangdong's next-door neighbor, for years about 20 percent of the live pigs under the purchase levies were generally sent to other provinces. Of them, less than 30 percent were shipped to Guangdong. In 1985, due to the attraction of high prices, the proportion of live pigs sent to other provinces rose to nearly 40 percent of which nearly 50 percent were shipped to Guangdong. This change in the market pattern first raised the purchase prices of live pigs in Hunan and followed up with a rise in the market sales prices, making them continuously follow the price trend in Guangdong. For many years, Hunan's Changsha City had been more than self-sufficient in the supply of live pigs but, because of the large outflow of live pigs to Guangdong from its four subordinate districts, for a time supply of pigs in the city was restricted and the prices of live pigs rose sharply. This was one of the reasons why last year Hunan was the province in the country showing the highest price index for live pigs despite the fact that the province had been known for its swift progress in the production of live pigs and that for a prolonged period it had been shipping out large numbers of live pigs.

In the course of the shift from a distribution structure to a market circulation structure, changes in the market pattern and a renewed distribution of the shares or proportions in the market are very natural phenomena. But if efficient measures are lacking in handling these changes despite rational market adjustments made, exceptional reactions may result. Too frequent changes in production and marketing relations can only bring about violent fluctuations in market prices. In 1986, because of the large inflow into Guangdong of frozen meat from Sichuan the supply and demand pattern between Guangdong and Hunan was again broken. Guangdong greatly reduced its demand volume of live pigs from Hunan as a result of which the market prices in Hunan dropped and although the prices of live pigs in some of its districts had fallen to below the level fixed by the province for protectional purposes, the pigs still could not be sold. Frequent market changes and violently fluctuating prices make it difficult for the producers and the consumers to bear the changes or to adapt to them. Reliance on such unstable markets to guide production can inflict heavy economic losses on the peasants and make them afraid of commodity economy so that they eventually resort to semi-self-sufficient and small-scale production as the best option. To an urban consumer, violent fluctuations in the prices of agricultural products which make up about 50 percent of his living expenses can readily cause feelings of discontent. They are highly disadvantageous to social stability and reform of the structure.

/2. Small-scale and unregulated wholesale activities--important signs of market's poor growth.

The basic abolition of government monopoly for purchase and marketing enables the speedy growth of small merchants and petty peddlers. The latter have already accounted for around 50 percent of the market portion of the great majority of the liberated products. They are active in the urban markets, promote market competition, and have become one of the indispensable principal bodies of the markets at the current stage.

In so far as the retail stage is concerned, the small-scale operations of small merchants and small peddlers and the dispersal of business activities brought along by them facilitate the consumers and improve the quality of commercial services. They constitute an exceedingly necessary form of commercial organization. In regard to markets in relatively narrow and small localities, the factors of the producers and the consumers being in the same locality, the small merchants and small peddlers directly contacting each other in purchasing and marketing, and reduction of the circulation stages to the minimum, all constitute relatively good forms suited to the special features of production and consumption in this type of market.

However, in the case of large cities and towns with a large number of consumers and production [word indistinct] have a large concentration of commodities mainly for distant marketing, small-scale and direct purchasing and marketing activities cannot ensure market stability. Rather, market fluctuations will be aggravated due to the large number of business personnel entering and leaving the wholesale sector. At the present stage, the petty peddlers and transport merchants appearing in the majority of the localities are peasants, and staff members and workers and unemployed people in the cities. They engage in commercial wholesale activities mostly on the spur of the moment. Due to their weak financial position, they can hardly cultivate extensive relationships with the producers and manufacturers to obtain a stable source of supply of commodities. They are all the more unable to augment and stabilize their status in the markets by setting up definite reserves and accumulations. Since the scale of their operations is small, the benefits that can be derived from large-scale operations are not available and the price differential between purchases and sales becomes the basic condition for their existence and development. Frequently in regions and at times when the price differential is increasingly enlarged there will be an increasing number of people patronizing the wholesale sector. But when market prices drop and the producers find it difficult to sell their products and because the profits that can be earned from small-scale wholesale transactions are reduced, a large number of people will disappear from the wholesale sector. For example, last year in Guiyang County in Hunan Province, there were over 40 individual bodies involved in transporting and selling live pigs. This year, due to the drop in market prices, the price differential in the Guangdong market is reduced and many of these people have stopped their transporting and selling activities. Last year in Xiangxiang county 621 individually-run units obtained licenses from the industrial and commercial bureau to transport and sell live pigs. This year 139 units have returned their licenses.

/3. Semi-paralysis of state-run commerce--important cause of inability to carry out market regulation and control./

Abolition of the system of the unified and levey-purchases of agricultural products has shaken the very foundation of the state-run commercial organization system built according to the distribution structure. As a result, the great majority of state-run commercial units have realistically faced the problem of survival and development in the market.

Regarding the purchasing the marketing activities in live pigs, in markets of localities where production and marketing are carried out in the same place, the butchery units operated by individuals and the small merchants and peddlers carry out a very simple type of purchasing and marketing, and the circulating expenses are reduced to the minimum; as a result, they account for rather a large share of the market. In the case of state-run purchasing and marketing enterprises at the grass-roots level, their shares of the market are small and for various reasons such as the large size of their staff and so forth, their circulating expenses are quite high. They are thus unable to carry out normal operation at a price level which can still yield a profit to the individually-run units. Consequently they incur large deficits. The drop in their competitive power further reduces their shares in the market and their losses or deficits are further increased. Facing this vicious cycle, many of the enterprises have lost their ability, some have accumulated huge debts, while some others have basically stopped business. In 1985, in Hunan Province, the purchase volume of live pigs made by state-run commercial units was lowered by 46.3 percent compared with the preceding year. Their share of the market was reduced from 60 percent to 37 percent. From January to April 1986, the purchase volume was again reduced by 31 percent and their market share dropped to 21.6 percent. In Guangdong Province, of the 29 food products stations at grass-roots level in Yingde County, 26 incurred deficits in 1985. The deficits amounted to 480,000 yuan. They were unable to repay the bank loans for that year. As a result, this year, due to the lack of circulating funds they have had to stop business, and 346 staff members and workers have been thrown out of work and have to find employment elsewhere.

In the rapid development of individual units, state-run retail enterprises in cities and towns have been likewise in a state of distress. In 1985, the quantity of pork sold by butcher's shops in Changsha City dropped by 50 percent compared with the preceding year. The daily sales volume of a state-run store employing a score of employees frequently differed little from that of an individual unit. At the same market prices, the latter could earn a daily profit of several tens of yuan whereas the state-run butcher's shop would suffer a loss and had to depend on the wholesale stores to widen the price differential between wholesale and retail prices or maintain themselves by means of a financial subsidy.

As for the state-run slaughtering and processing plants and cold storages, whose functions are to serve the distribution system by centralizing slaughtering and regulating and adjusting meat shipments in accordance with needs, their circumstances have been even more difficult. Because the slaughtering of a large number of pigs has been widely dispersed, the equipment of many united meat plants has lain idle. For example, the equipment of the Changsha City United Meat Plant can handle the slaughtering of 8,000 pigs each shift but now even in the busy season only 2,000 pigs are slaughtered each day. In Guangdong Province, aside from the Guangzhou United Meat Plant the utilization rate of whose equipment is about 20 percent, in the slaughtering houses in the large and medium-sized cities and towns, due to the slaughtering volume being too small, once the assembly line starts working, losses are invariably incurred. As a result, the machines have to be laid aside and the butcher's knife takes over the slaughtering work.

As a result of the reduction in the business volume of the purchasing enterprises and retail stores, the various levels of wholesale enterprises which in the past performed the functions of concentrating or collecting the live pigs, making adjustments and dispatching the pigs, and generally attending to the distribution tasks have virtually nothing to do now. The great majority of them have become controlling departments run at the government's expense.

The fact that state-run commercial system, which had been in existence for nearly 30 years, was paralyzed following the opening up of the markets adequately reflects the great disparity between the commercial organization under the original structure and the market organization under a commodity economy. This cannot but attract people's concern. This concern comes from a consideration not only of the destiny of the state-run commercial enterprises themselves but also and more importantly of the anticipated increased difficulties of stabilizing and controlling the market under the conditions of state-run commerce being semi-paralyzed.

Under the conditions of the markets being still relatively undeveloped, the paralysis of state-run commerce (principally wholesale commerce) may bring about violent fluctuations in the market. Beijing last year liberated the purchasing and marketing of vegetables. Because of the failure to definitely clarify the functions of wholesale enterprises and to provide them with adequate economic power, that is, giving them financial subsidies or carrying out provivions of this kind, at the initial stage of the liberation the great majority of the purchasing units stopped operations altogether, while the retail stores had no immediate way of finding new channels of supply of vegetables. As a result, the transaction volume was reduced, basically the market came under the control of individual peddlers and the price all once rose sharply. Hunan Province, simultaneously with liberating the purchasing and marketing ov live pigs, stopped giving the state-run commercial units operational subsidies but failed to realize that the price differential which had normally provided them with a profit previously, would, because of the reduction in their shares in the market, and the increase in indirect expenses, cause a deficit. The state-run commercial units were then forced to divert their operation activities to Guangdong where the price differential between purchasing and marketing was larger. This substantially reduced the supply of live pigs to the urban markets in Hunan and brought about the phenomenon of a sharp rise in the market price of live pigs even during the peak pig supply season.

The central authorities and the local governments are duty-bound to ensure that the markets for large volume agricultural products such as vegetables and live pigs are relatively stable. This is because not only have the urban residents of our country and producers of agricultural products lived for long under the yoke of a system of unified purchasing and unified marketing, being not at all adaptable to market fluctuations, but also this category of agricultural products possesses the special features of a high degree of elasticity in supply but a small degree of elasticity in demand so that objectively a basis for market fluctuations has existed. Resorting wholly to market regulation makes the fluctuations frequently exhibit a scattered and infectious state and cannot be halted. It is precisely because of this that governments of countries with a market economy must exert great efforts to stem and reduce the market fluctuations of agricultural products, going to the extent of granting large amounts of financial subsidies.

The current state of a low degree of development of markets in our country has increased the government's difficulties in ironing out the fluctuations. Due to the market participants, the principal oeprating bodies, being on one extreme small merchants and petty peddlers who are extremely scattered, whose appearances are indefinite and whose purchasing and marketing activities are very incidental and on the other extreme, state-run commercial organs which are huge but not adept at existence in the market, the market itself naturally lacks an innately stable mechanism. Lacking the protection of a definite organization, be it an intermediate marketing organ handling the functions of stabilizing the market or large wholesale enterprises which can command the market, governments, though wishing to interfere in the market, lack the means and capacity to carry out the intervention. When market fluctuations have become overly severe, local governments are obliged to adopt certain temporary measures such as relying on state-run commerce to exert anew a killing-stranglehold over the market or employing administrative measures to block up the market and to control the prices. Although these measures may forcefully keep down the market fluctuations for a time, yet the degree of development of the market has by no means been advanced. On the contrary, because the off-and-on tightening and loosening of the policy may increase the reactions of the market body, the formation of longterm and stabilized market relationships is all the more difficult.

Thus, developing a commodity economy with Chinese characteristics must begin with a market of this type. The tasks confronting us are two-fold: On the one hand, opening up and forming a market; and on the other hand, we must organize and intervene in the market. Reform is no longer merely clearing the road for market forming; it must include facilitating market development and strengthening market organization.

New Choice: New Tasks

/1. Prolong the double-track time; work out a development procedure./

Several years of experience in reform have amply shown that the best way to reduce the overly large number of frictions in the course of track-shifting is the double-track system. In the past, people mainly emphasized that the double-track system could enable the producer, entrepreneur, and consumer to gradually adapt to the market thereby reducing the psychological reverberations in the course of the track-shifting. In reality, the double-track system can at the same time take the price of the development procedure of the market system of the old structure, thereby reducing the reverberations arising from the "organizational vacuum." Guangzhou may be cited as an exmaple. In 1978, the city began to ease up on the unified purchasing and unified marketing of aquatic products and vegetables. At the end of the year, the first warehouse for the aquatic products trade was established. By 1981, the number of warehouses for various kinds of agricultural and sideline products under the commercial system had grown to over 90. In the same year, the planned control of enforced planned prices for vegetables were allowed to float within specified limits, the state-run wholesale department was converted into a purchasing and marketing service department, and transactions of products under the plan were permitted to be made through negotiations between the producers and the buyers. In 1981, state-run stores dealing in meat and vegetables began to permit commodities to be transacted at negotiated prices. In the busy city districts, over 30 market places for agricultural and sideline products were set up, allowing urban and rural individual households to engage in transporting and peddling activities.

By the end of that year, purchases and sales of fresh and live products at negotiated prices had already amounted to 10 percent of the total volume handled in the market. In 1983, the city began to permit negotiated prices in the purchases and sales of live pigs; and this measure accounted for 25 percent of the city's sales volume of live pigs. In the same year (1983), on vegetables the city enforced the measure of "regulating 60 percent and liberalizing 40 percent," but by 1984 the liberalized portion had reached 50 percent of the total market volume. The levy-purchase system of fowls and eggs was abolished in 1981; in 1983, the first egg products wholesale market was formed; and by 1984, nine large wholesale markets for agricultural and sideline products had already come into existence. It was found that one egg products wholesale market alone could handle 7.5 million kilos of eggs a year, equivalent to a whole year's supply of eggs for Guangdong City several years ago. In the course of the development and growth of the market in the 6 years from 1978 to 1984, the consumers have gradually become adjusted to market prices while the producers have learned to pursue production according to market needs. More importantly, trade godowns, wholesale markets, and commodity exchanges all of which are indispensable organizational forms in the wholesale sector of market regulation, have made their appearance while state-run commercial enterprises, in conducting negotiated purchases and negotiated sales, have developed and trained themselves to directly take part in market activities.

In summing up Guangzhou's experiences, people generally saw the role of liberalizing (this is an absolutely necessary precondition), but frequently failed to see the facts of the gradual formation of the market organization form and operation methods which are of incomparable importance in all-round reform. Whilst reform is being pushed from the part to the whole it is inevitable that certain problems will be encountered in regions, particularly large cities and towns which have not gone through the stage of the double-track system. Judging from last year's experience in the reform, large cities and towns which basically have not gone through the double-track stage should not be overanxious to shift track in an all-round manner but should double-track for a time and should, in the course of this stage or period, consciously develop the various kinds of organization forms and operation methods essential to market circulation, and bring up the state-run commercial units' ability to take part in market activities as well as the government's tactics in market intervention and market regulation. Then, following the continuous expansion of parts or the market, an all-round track-shifting may be ultimately realized. If not, all-round liberalizing at one stroke will basically result in all-round closing up and will actually slow up the steps of the reform.

/2. Break up of state-run commerce: formation of regulating and controlling bodies./

In the market circulation of agricultural products, the lack of an innate stabilizing mechanism formed by the main bodies of market activities and a possible recourse to reliance upon the government making the necessary regulation and control, will make it difficult to ease or quiet down the fluctuations of the market. How to step up the formation of bodies which take up the burden of these stabilizing functions is the precondition to the government organizing, regulating, and controlling the market. At the moment, the difficulty is that the current condition of the state-run commercial system makes it impossible for the system to take up the burden of these functions. On the other hand, it is rather unrealistic to put aside state-run commerce and forthwith proceed to build another organization anew. Hence, the only way out is to transform state-run commerce and at the same time organize and cultivate a new setup.

Taking the breaking up of the state-run commercial system as a start, it is still possible to find a main body for taking charge of the stabilizing tasks. Originally, state-run commerce was a system possessing close-knot vertical relationships. But following the reform of the system of unified pruchases and unified sales, maintenance of vertical relationships is rather difficult, and it is rather unrealistic now to emphasize the state-run commercial system as still occupying the commanding position in the market. The existing conditions are: In markets in regions below the county level, state-run commercial units occupy a 20 percent share of the market; their share in retail markets is about one-third in medium-sized and small cities and towns and in large cities and towns from which they receive no subsidy. Only in the wholesale sector of large cities and towns is their share of the market larger. As for the state-run commercial units dealing in retail trade, the urgent task at the moment is to reform the enterprise system, including reforms in such spheres as the ownership system of the enterprises, the enterprises' management forms, their personnel system, their bankruptcy system, and the safety protection and unemployment system covering their staff members and workers. Only through carrying out these various reforms can state-run enterprises, concurrently with shaking off the various kinds of burdens and responsibilities left over from the former structure, rely on their own ability to determine their own destiny in the market: that is, either truly to remain in existence and continuously develop, or declare themselves bankrupt, close their doors, and withdraw from the market. Generally speaking, we should give the state-run enterprises which have truly survived in this type of market the same treatment accorded to other operators and entrepreneurs. They cannot, and should not, be made to take up the burden of functions irrelevant to their business or operation activities.

Two categories of large wholesale enterprises can take up the fucntion of market stabilization. One of them is the wholesale enterprises in production areas which command centralized production and possess large quantities of products for shipment and marketing; the other is the wholesale enterprises in large cities and towns which are favored by the concentration of consumption and possess large quantities of products coming from fairly distant production areas. The concrete market functions of the former are stabilizing supply and doing the utmost to reduce contradictions between supply and demand and the disadvantageous effects caused to the supplies in the event of irregular circulation. The main functions of the latter are to do their utmost to reduce fluctuation in the volume and prices of market commodities brought about by supply fluctuations (including production fluctuations).

Obviously, looking at the matter from the angle of the capacity to take up these functions, this category of organs can only be state-run large and strong wholesale enterprises which the government can readily control. The two levels of state-run wholesale companies originally in the large cities and towns of provinces possibly can serve as these organs after certain transformation. In general, they have readily available storage and warehouses and the necessary processing facilities, thus possessing the material means to adjust, regulate, and stabilize market prices; they usually have rather extensive liaison with commercial organs in outside provinces and cities and can, by means of enlarging the markets in the regions or expanding the scope of supply, stabilize their local supply and demand; moreover, at the moment they all receive financial subsidies from the government and thus can be controlled and utilized by the government. The main problem at present is that they are mostly not truly operating entities; rather, they are management organs of a heavily tainted administrative character. Their financial subsidies from the government are used mainly in three directions--administrative expenses of the management organ, operation losses of subordinate wholesale enterprises, and losses of a policy character; the enterprises themselves have no way to effectively become tools for market control and regulation.

Guangdong's method is to differentiate between two kinds of subsidies, specifying that different subsidies are to bear different responsibilities. This is based on the precondition for enlarging the company's decisionmaking power. The first category is meant to assist the companies to offset their deficits resulting from overly high management expenses and circulation expenses of the wholesale sector; it is granted in fixed sums, and the recipient companies have to take care of the deficiency, if any, but are allowed to keep any balance. This type of subsidy signifies that the economic burden caused by the former structure is recognized. On this basis, if the enterprises wish to survive and develop, they must rely on their own operation activities. Since the subsidy is correlated to the companies' commercial functions, the enterprises must have a relatively large decisionmaking power in their operations and be allowed, under definite restrictive conditions, to expand the scope of their operations and thus strengthen their capacity and power in market participation. Aside from specifying the scope of sideline operations the companies may undertake, the government mainly depends on limiting the profit level in their control of the enterprises, thus preventing them from resorting to improper means to reap excessive profits. As for the second category of subsidy, it is related to price limits and reserve funds or expenses. The amount of the grant is directly linked with the level of price limits and amount of reserves fixed by the government. The precondition for state-run companies to receive this type of subsidy is that they must take up the tasks of making reserves stipulated by the government and carry out the government's price-limit regulations. In its enforcement, in order to prevent the large state-run wholesale companies, simultaneously with stabilizing the market, from becoming purely bureaucratic organs, it is necessary to solve the two key problems: One is that there must be a strict demarcation between the financial subsidy for use on market stabilization and the enterprises' various expenses, thus preventing the latter from using the financial subsidy to cover up their operation deficits. The other is to keep the business volume with a direct bearing on the amount of the financial subsidy to be granted, from being too large and allow the enterprises some ground for operating on their own so that they can continuously foster their capacity to survive and develop and augment their economic strength in influencing the market in the wholesale sector.

At the present stage of the rather low level of market development, when market stability in a region is deeply affected by other regions, to rely merely on the government of a locality to depend on, and use, the strength of the local commercial structure can hardly achieve the purpose of stabilizing. Hence, if the central government can set up a definite reserve fund or an amount of reserve commodities for use in direct intervention and regulation in the event of large fluctuations due to changes in market pattern or natural disasters, then the efforts so made can play a key role in producing notable results.

/3. Speed up the formation of a new structure and compile market regulations./

To agricultural producers whose production is relatively concentrated and whose products have a high commodity rate, it is difficult to spread the economic risks if they base their reliance merely on state-run large wholesale companies which are located far away. In reality, an exceedingly urgent task now is to foster the growth of purchasing and marketing organs at the grass roots level which are different from the usual run of commercial enterprises and which serve the producers as one of their main functions. According to an investigation made of 100 peasant households planting vegetables in the outskirts of four cities including Hangzhou and Lanzhou, 64 percent of the vegetable-growing peasants were found to have considered as one of their main difficulties in production worries about the difficulties or marketing vegetables in the busy season and the price fluctuations; in the two cities of Jinan and Hangzhou which basically have liberalized the purchasing and marketing of vegetables, the number of peasants harboring these worries was as high as 76 percent.

Following the liberalization of vegetables, rural villages in Guangzhou, Hangzhou and other cities have displayed gratifying signs of setting up "growth points." Under the direct organization of the local governments, particularly village governments, in Guangzhou's suburbs, over 50 rural vegetable stations have come into being and in Hangzhou's suburbs, each and every vegetable growing village has organized a rural vegetable company of the peasants' own. The staff members and workers of these vegetable stations and companies have come from among the peasants, their main tasks being to expand the marketing channels, particularly organizing sales at times of over supply. For example, in 1985, Jiangcun township in Guangzhou's suburbs was converted into a vegetable growing village. Each day it transported and marketed 100,000 to 150,000 kilos of vegetables. In spring this year, the production of vegetables was greatly increased and their market prices dropped continuously. In order to reduce the peasants' losses, the township vegetables stations energetically organized sales of vegetables to Hunan, Jiangxi and the northern provinces. Although the vegetable fields in the township had been extended by 60 percent in area, the per-mu income was reduced by only 5 percent compared with the preceding year. The peasants have welcomed the appearance of rural village vegetable stations and vegetable companies. The Guangzhou rural village vegetable station formed only in 1985 has now taken charge of the transport and sales of about 20 percent of all the vegetables supplied to the markets in the city. The Hangzhou rural village vegetable company was formed only 6 months ago but 63 percent of the village peasant households covered in a recent survey have indicated their willingness to entrust the company to market the whole or part of the vegetable production.

Experiences of various countries have amply shown that in general the development of purchasing and marketing organs at grass roots level whose principal function is to serve the peasants cannot be separated from government organization and support. Governments in various regions should take the development of such organs as an important topic in organizing circulation and should, according to the conditions of the localities, lead the way in organiziang various forms of peasants' purchasing and marketing organs. In order to support the development of these organs, the government should provide them with definite preferential treatment in such matters as taxation, loans, profit distribution, and so forth.

In the course of fostering the development of, and perfecting, the markets, compiling of market regulations and setting up the organization structure are equally important. In compiling market regulations, we should start with, and take note of, the degree of the development of the markets and the objective demands. At present, the major points should be on such matters as management of the wholesales sector, perfection of the tax system, supervision and forecasting of market prices, and so forth.

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CSO: 4006/4

NATIONAL POLICY AND ISSUES

PAPER ON MINORITY ECONOMIC DEVELOPMENT IN WEST

HK160909 Beijing RENMIN RIBAO in Chinese 12 Sep 86 p 5

["Academic Trends" column by Shi Yi [2514 1355]: "Brief Introduction to the Symposium on Economic Development of Minority Nationality Regions in Western China"]

[Text] The China Minority Nationality Economic Research Society has held a symposium on economic development of minority nationality regions in western China. The symposium carried out preliminary discussions on the practical and theoretical questions concerning the reform of the economic structure and the economic construction of these regions and on the question of how the minority nationality regions should carry out the Seventh 5-Year Plan and has put forward some suggestions.

First, on the question of how to deal correctly with the economic relations between eastern, central, and western regions of our country in the building of the four modernizations. Many comrades think that as far as the whole country is concerned, for the next few years, investment should mainly be given to the eastern region in accordance with the situation regarding the financial and material resources, basic facilities, and other aspects because doing so is conducvie to creating various conditions for a large-scale development of the western region. This is where the fundamental interests of the entire Chinese nation, including the various minority nationalities, lie. However, the state should also consider the overall situation and increase the investment in agriculture forestry, animal husbandry, some raw materials industires, energy, and traffic and communications of the western region. As far as the fundamental and long-term interests of our country are concerned, if we do not carry out a large-scale development of the western region, which is rich in natural resources and accounts for more than half the total area of our country, our country will not be able to become a powerful and modernized country and the minority nationalities of our country will not be able to become advanced nationalities in the world. Of course, before a large amount of state investment is given to the western region, the minority nationality regions should try their best to develop their own advantages and greatly develop lateral ties with the eastern and central regions so as to accelerate their own regional development. As far as guiding ideology is concerned, the minority nationality regions should guard against both impetuosity and inactivity.

Second, on the question of how to accelerate the development of socialist commodity economy in the minority nationality regions. Since the last meeting, many comrades have carried out investigations and research and put forward some valuable treatises on the development of commodity economy in the minority nationality regions. At this meeting, the comrades mainly discussed the question of competition. All the comrades believed that in the development of commodity economy, competition is unavoidable. Therefore, the minority nationality regions must be well-prepared for this challenge. Some comrades raised the question of how to enable the minority nationality regions to carry out "equal competition" under approximately the same conditions. This is because the objective conditions of these regions differ from those of the hinterland as far as industry, agriculture, and commerce are concerned. Under such circumstances, even when an enterprise's or a trade's technological and management standards are at the same level as those of an enterprise or a trade in the hinterland, it will still be able to achieve equally as good economic results as its counterpart in the hinterland. So when carrying out macroeconomic control, the state should pay attention to this difference.

Some comrades suggested that in order to enhance the internal economic vigor and the commodity competitiveness of the minority nationality regions, the state should implement some special policies and give more support to the minority nationality regions.

Third, on the question of opening up the minority nationality regions to other parts of the country and to the outside world. All the comrades believed that invigorating the domestic economy and opening up to the outside world is our country's basic policy. It is even more necessary to open up the minority nationality regions both to the other parts of our country, particularly to the relatively developed parts, and to the outside world. Some comrades pointed out that in order to accelerate the development of the minority nationality regions, as well as trying to get more state investment in basic facilities and superior industries, the minority nationality regions should move more funds, qualified personnel and technologies from the East to the West through developing lateral ties. Therefore, the minority nationality regions should not only give mutual support to one another but also carry out multilevel, multichannel, and multiform combinations and cooperation in accordance with the principle of mutual benefit. On the question of opening up to the outside world, a lot of comrades thought that bearing in mind that most of the minority nationality regions are located in the border areas, and over 20 minority nationalities are spread in the neighbouring countries and are traditionally convenient in carrying out economic and religious contacts with the people in the neighbouring countries, the minority nationality regions should expand border trade and further develop economic and technological contacts and cooperations with other countries according to their respective situations.

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CSO: 4006/007

NATIONAL POLICY AND ISSUES

BRIEFS

ECONOMIC STATUS FOR HAINAN ISLAND--Beijing, September 5 (XINHUA)--Hainan Island, Guangdong Province, has been granted province-level authority over economic management in a bid to speed up its development and opening to the outside world. Under a decision of the State Planning Commission, the Hainan administrative region will enjoy the same status as a province-level area in the national plan for 1987, except for financial affairs. Hainan's flexible policies and preferential treatment for foreign trade and investment remain unchanged, a commission official said here today. The 32,000 sq km island is opened to foreign trade and investment. [Text] [Beijing XINHUA in English 0625 GMT 5 Sep 86] /8309

SMALL TRADE BUSINESSES DECENTRALIZED--Beijing, September 9 (XINHUA)--China has decentralized 64,600 state-owned small commercial businesses by making them collectives or leasing them to individuals, the PEOPLE'S DAILY reported today. This figure accounts for 75 percent of the country's state-run small enterprises, the overseas edition of the paper said. Of the 64,600 businesses, 49,000, still state-owned, were shifted to collective management, which links quotas with reward. Of the rest, 7,800 became collectively owned and the rest were leased to individuals. According to the report, these small businesses are economic entities with legal status, and officials are elected by workers and staff. Having more autonomy, these businesses will assume sole responsibility for their profits or losses. Many have made renovations and expanded service hours to raise economic efficiency. By cooperating with 18 provinces and opening up a new source of goods, a grocery in Changchun, capital of Jilin Province, increased profits by 140 percent in the first month after having becoming decentralized. The catering service in Heilongjiang Province, usually operating in the red, began to make profits in 1984 when many of its restaurants and shops shifted to collective management or were leased to individuals. [Text] [Beijing XINHUA in English 0619 GMT 9 Sep 86] /8309

CSO: 4020/4

LU DONG SPEAKS ON DEVELOPING XINJIANG'S ECONOMY

HK161427 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 15 Sep 86

[Text] In his speech at a regional conference on reform of the urban economic structure on 14 September, Lu Dong, minister of the State Economic Commission, pointed out: To develop Xinjiang's economy, it is necessary to proceed from Xinjiang realities and to give full play to its strong points. At present, it is essential to firmly grasp the raising of economic results--the center, to solve the new problems in the course of production and circulation and to make the economic work develop well.

In his speech, Lu Dong completely analyzed the new situation in the course of production and circulation in the whole country and in the light of Xinjiang realities. He stressed: At present, it is imperative to firmly grasp the raising of economic results--the center, and to solve well the four problems of not keeping abreast of the situation:

1. We must solve the problem that the change of product mix cannot promptly keep abreast of the situation. He said: At present, commodities in all places are universally unmarketable. Some commodities have run short while other commodities have been kept long in stock. On the one hand, many commodities have been kept long in stock; on the other, the supply of the commodities people expect to buy cannot meet the demand. Product mix fails to catch up with the people's concept of consumption and with the change of their demands on consumption. Every place and enterprise must seriously analyze the market's situation in sale, arrange their products in order of demands, and concentrate their forces on giving priority to the production of marketable products.

2. We must solve the problem that production enterprises' ability to reduce the consumption of materials fail to catch up with the situation. At present, the great majority of enterprises in Xinjiang are applying the old techniques and using the old equipment of the 1950's and 1960's. Although they have relatively good energy resources and raw materials, their consumption is high and efficiency low. It is necessary to concentrate the technological forces and limited funds of the enterprises to stress importing, developing, and transforming technology. It is essential to import and transform as soon as possible, technology arrangements for the importing and transformation of which have been made. At the same time, it is imperative to eliminate some backward equipment and products in a planned way the energy consumption of which is high and quality poor.

3. We must solve the problem that management cannot keep pace with the situation. It is necessary to seriously do well in grasping management and to completely improve the quality of the enterprises. Xinjiang has very great potential in this aspect. So long as we do a good job in management, even under the present conditions for materials, our economic results can be greatly raised.

4. We must solve the problem that circualtion work cannot keep abreast of the situation. Xinjiang has many favorable conditions for doing circulation work well. What is important is to coordinate the relationship between industry and commerce and between commerce and commerce in new forms in accordance with the requirements for the planned commodity economy, to promote sales, to strengthen the concept of the commodity economy, and to vigorously develop the commodity economy. This is one of the key problems of giving play to the strong points of Xinjiang.

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ECONOMIC PLANNING

HUNAN'S ROLE IN COMPREHENSIVE NATIONAL ECONOMIC PLANS

Changsha JINGJI DILI [ECONOMIC GEOGRAPHY] in Chinese Vol 6, No 1, Feb 86 pp 39-43

[Article by Jiang Jianguo [1203 1696 0948] of Policy Research Office of Hunan People's Provincial Government, and Gong Xunli [7895 1789 4409] of Research Center for Comprehensive Technical Development of Mountainous Regions in Hunan Province: "Views on Hunan's Combination with Other Provinces in China's Plan for Comprehensive Economic Regions"]

[Text] China has a vast territory and a huge population. Its natural conditions are diversified and complex and its economic development is uneven. In order to implement the policy of "opening the country to the outside world and invigorating the economy at home," to fully exploit the strong points of various localities, to develop the economy according to local conditions, and to form an adequate economic network with satisfactory economic and social results for China as a whole, a scientific demarcation of the major national economic regions is needed. This issue has been closely studied by many specialists and scholars whose views are being freely expressed. The spate of programs recommended should help in the study of this issue in greater depth. Regarding the national plan for the establishment of comprehensive economic regions, many people are in favor of including Hunan in the central China economic region with Wuhan as the center. In this respect, we would like to present our views based on an analysis of the actual conditions in Hunan, Guangdong and Hubei, and hope to be enlightened by everyone concerned.

I. Viewed from the Standpoint of Passenger, Cargo Traffic

The degree of affinity in an economic relationship which objectivelY exists is one of the important factors in the demarcation of comprehensive economic regions, and the volume of passenger and cargo traffic is one of the main indicators of this affinity.

At present, 80 percent or more of goods transported between Hunan and other provinces are transported by rail. We can analyze the amount of rail transport between Hunan and other provinces to ook at the flow of goods and the rest of the country.

At present, 36.53 percent of the cargoes, equal to 13.43 million tons, dispatched by Hunan's railways are destined to other provinces. (The railway traffic data used in this article are the actual figures in 1982.) The top five provinces, rated according to the volume of cargoes dispatched, were: Guangdong (4.02 million tons), Hubei (1.85 million tons), Henan (1.11 million tons), Guangzi (850,000 tons) and Hebei (490,000 tons). In these provinces, these cargoes in the "volume of rail cargoes from other provinces" ranked 1st, 5th, 7th, 5th, and 11th, respectively.

In Hunan, 36.71 percent, equal to 13.53 million tons, of the cargoes arriving by rail were dispatched from other provinces. The top five provinces, rated according to the volume of cargoes received in Hunan, were: Guangdong (2.77 million tons), Shanxi (2.35 million tons), Henan (2.09 million tons), Hubei (1.06 million tons) and Guangxi (700,000 tons). In these provinces, these amounts in the total volume dispatched to other provinces ranked first, ninth, fourth, third, and second, respectively.

These figures show that Guangdong ranked first as either the dispatcher or the recipient of cargoes to and from Hunan. Hunan also ranked first as either the dispatcher or the recipient of cargoes to and from Guangdong. The volume of cargoes transported from Hunan to Hubei amounted to only 46 percent of that to Guangdong, while the cargoes received by Hunan from Hubei amounted to only 38 percent of those from Guangdong.

Let us further analyze the types of cargoes transported by railways.

The cargoes received by Hunan from Hubei are mainly petroleum and petroleum products, and steel, and these items combined to account for 50 percent of the total volume. The petroleum and its products accounted for 61.5 percent of the total volume received by Hunan, but only 27.6 percent of the volume dispatched out of Hubei. The steel accounted for only 22.3 percent of the volume received by Hunan but only 8.8 percent of the volume dispatched out of Hubei. The cargoes dispatched by Hunan to Hubei were mostly minerals, both metallic and nonmetallic, steel, chemical fertilizers and insecticides, and mineral building materials, totaling 74.1 percent. Individually, these items accounted for 39.2, 36.8, 25, 22.2, and 10.1 percent of the volume dispatched by Hunan and 63.4, 20.4, 9, 23.9 ,and 31 percent of the volume received by Hubei. In other words, only petroleum and its products received in Hunan and nonmetallic minerals received in Hubei were of fairly significant proportions in the volume of cargoes received.

Hunan received from Guangdong mostly metallic mineral ores and chemical fertilizers and insecticides, and these items combined to account of the 61.3 percent of the total volume. Individually, they accounted for 81.8 and 70.5 percent of the volume of cargoes received by Hunan, and 42.9 percent and 31.3 percent of the volume dispatched by Guangdong. Hunan dispatched to Guangdong mainly cement, coal, petroleum and its products and grain, totaling 61.4 percent. Individually, these items accounted for 70.6, 73.3, 58 percent and 27.0 percent of the cargo volume dispatched by Hunan, and 67.9 percent, 16.7

percent, 76.1 percent and 50.0 percent of the volume received in Guangdong. From this, we can see that both the volume dispatched and the volume received in both provinces were of significant proportions.

In the exchange of "other" cargoes, including industrial products for daily use, raw materials for chemical industry and their manufactured products, industrial machinery, farm machines and tools, agricultural sideline products, native products and special products, perishable goods, and other sundry goods, both Hunan and Guangdong ranked first to each other. This shows the extensive exchange of many different materials between these two provinces; Hubei's volume of exchange with Hunan was only half of Guangdong's.

Viewed from the standpoint of passenger traffic, Hunan's relationship with Guangdong is closer than with Hubei. Every day, one express and one regular train departed from Hunan for Guangzhou (apart from the express trains bound for Beijing and Shanghai), whereas only one regular train departs for Wuhan. Furthermore, the passenger trains bound for Guangzhou are far more crowded than those bound for Wuhan.

From these analyses, it is not difficult to see that the relationship between Hunan and Guangdong is the closest in terms of either passenger or cargo traffic, and this relationship will be even closer by the time the double track line between Hengyang and Guangzhou is completed.

II. Viewed from the Standpoint of Production Structure and Products

China's commodity production is not yet quite developed, and the regional division for specialization is not clearly defined. In view of China's present state of communications and its possible development, the division of specialized work must keep pace with economic development. However, over-specialization is obviously incompatible with China's present conditions. Therefore, in establishing economic regions, we must consider the requirements for comprehensive development in these regions and form comprehensive regional economic entities that are consistent with the characteristics of these regions.

With regard to production structure and products, Hunan and Hubei have more similarities than dissimilarities. However, there are many dissimilarities between Hunan and Guangdong in these respects. This is another major cause for the difference in the intensity of cargo exchange as mentioned earlier.

In 1982 (unless otherwise noted, all figures used in this article refer to 1982), Hunan's industry and agriculture accounted for 56.7 percent and 43.3 percent of its GVIAO, respectively; Guangdong's was 65.7 and 34.3 percent; and Hubei's was 62.4 and 37.6 percent. The GVIO was higher in all these three provinces. Although crop farming was the main occupation in the agricultural sector in these three provinces, Guangdong is more suitable for tropical and south subtropical crops of high economic value, but have relatively little farmland. That is why Guangdong's gross grain output was only 38.57 billion jin and its per capita grain (644 jin) was 55 jin below the national average. Hunan's gross grain output was 47.5 billion jin and the per capita amount (879 jin) ranked second in China and was 235 jin more than that of Guangdong.

Hunan is rich in grain and its breeding industry is more developed than Guangdong's. The number of its slaughtered pigs (17.38 million head) ranked third in China, and exceeded that of Guangdong by more than 4 million head. Fujian and Guangxi, which adjoin Guangdong, are not rich in grain either. There are good transportation facilities between Hunan and Guangdong, and Hunan naturally becomes the main supplier of grain and pigs for Guangdong. In 1982, Hunan transferred 330,000 tons of grain to Guangdong in addition to 30,000 tons of meat and 7,000 tons of fresh eggs through it commercial sector. Guangdong cannot be self-sufficient in grain and nonstaple foodstuffs. For this reason, it cannot make full use of the Zhu Jiang delta and similar locations for the production of cash crops and has to restrict the development of light industry which relies on cash crops for raw materials. (In Guangdong, light industry products with agricultural sideline products as raw materials accounted for 50 percent of its light industry output value.) Thus we can see that even in the long run, we should let Hunan make full use of its strong points in grain production and breeding industry so that it can supply rice, pigs and other nonstaple foodstuffs to Guangdong (with reasonable price readjustment, of course), and let Guangdong, with valuable land in the south subtropical and tropical zones which is rather rare in China, devote its energy to the development of subtropical and tropical cash crops. This arrangement should be beneficial to both provinces as well as China. Hunan and Hubei have similar natural conditions which are suitable for the planting of similar crops. Therefore, the exchange of agricultural products between them is very limited.

In industrial structure, light industry takes the lead in Guangdong, and accounted for 64.6 percent of the GVIO. In Hunan and Hubei, heavy industry surpasses light industry in output value. (Hunan's heavy industry accounted for 53.8 percent, and Hubei's for 50.2 percent of the GVIO.) In Guangdong, where light industry takes the lead, heavy industry is weak and the foundation for the development of heavy industry cannot be as strong as in Hunan. Hunan's light industrial output value was 29.4 percent below Guangdong's, but its heavy industry was 7.76 percent higher. That is why there should be full relationship between these two provinces in both industrial products and industrial technology so that they could cater to each other's needs and support each other. In either ferrous or nonferrous metallurgy, for example, Guangdong needs Hunan's products (Hunan's "three acids and two alkalis" are being sold in Guangdong.) This is especially true of building materials. Because of Guangdong's rapid economic development and higher level of capital construction, the supply of building materials is lagging far behind. It has thus become an important market for Hunan's building materials trade. On the other hand, Guangdong can supply Hunan some special light and textile industrial products and food items. Each year, it transfers to Hunan about 50,000 tons of sugar. If Guangdong and Hunan are combined, then the superiority of the latter's heavy industry and the former's light industry will be able to supplement and promote each other with a better coordinated development of both heavy and light industries as a result. Both Hunan and Guangdong have similar traits in the industrial structure. In both provinces, the machine-tool (including electronics), food, chemical, and textile industrial sectors combine to account for about 60 percent of the GVIO (59.08 percent in Hunan and 64.43 percent in Guangdong). More active cooperation among these sectors will fully demonstrate this region's specialty.

As for mineral resources, Hunan does not have many iron mines and most of whatever it has are lean ones. Its steel and iron industry, therefore, relies heavily on Guangdong's iron ores, and each year, Guangdong's iron ores transported to Hunan account for about 80 percent of the total amount of Hunan's imported ores. The ores from the Dabaoshan Iron Mine of Shaoguan and from Shilu of Hainan Island in Guangdong, in particular, are of a high grade and 400,000 to 500,000 tons are supplied to Hunan every year. They are indispensable to Hunan's steel and iron industry. Coal resources are poor in Guangdong, and Hunan, besides already allowing Guangdong to extract coal from the Meitian Coal Mine in Yizhang County, is still transporting to Guangdong hundreds of thousand tons every year. (In 1982, 740,000 tons of coal were transported.) To Guangdong, Hunan is the third largest coal supplier after Henan and Guizhou. Hunan's uranium deposits rank first in China. These deposits will be of great significance in the solution of the energy problem when nuclear power is developed in these two provinces. Furthermore, the exploitation of Guangdong's Nanhai Oilfield will be a very strong impetus to the economy of not only Guangdong, but also Hunan. Hunan's Changling Oil Refinery, for example, is one of the advanced enterprises among others of the same trade in China with good economic results. Its crude oil is now coming from Daqing and some other oilfields. Restricted by the conditions of transportation, this enterprise cannot expand its operation. If the crude oil from the Nanhai Oilfield will be available in the future, this enterprise would be able to fully exploit its resources with good economic results. In its development, the Nanhai Oilfield, on the other hand, will require a great deal of barlytes and sipiolite from Hunan, thus promoting the development and utilization of Hunan's mineral deposits. Both nonferrous and nonmetallic mineral resources in these two provinces are superior in China. For example, Hunan's deposits of tungsten, antimony, bismuth, fluorspar, sipiolite, baryte, and monazite; and Guangdong's cystals and glass-sands all rank first in China. Hunan's deposits of vanadium, kaolin and graphite; and Guangdong's lead rank third in China. Hunan's deposits of tin, lead, and diamonds, and those of zinc and kaolin in Guangdong also rank third in the country. A combination of these two provinces will form the "home of nonferrous metals" and the "home of nonmetallic minerals."

III. Viewed from the Standpoint of the Economic Center's Power of Attraction

The scope of the economic center's attraction is a very important factor in the demarcation of economic regions. Hunan is located between the economic centers of Guangzhou and Wuhan in two major regions. Which of these two centers has a stronger attraction to Hunan? This is an important question to be considered in deciding where Hunan should belong in the China's comprehensive economic regions.

The two analyses presented earlier have some how indicated that to Hunan, Guangzhou's attraction is more powerful than Wuhan's. Wuhan, compared with Guangzhou, is closer to Hunan. (In terms of railway mileage, Changsha is 728 km from Guangzhou and only 358 km from Wuhan.) Its territory, population and GVIO are all larger than those of Guangzhou. (Wuhan has an area of 176 sq km and a population of 2.8 million, whereas Guangzhou has an area of 58 sq km and a population of 2.35 million.) However, Wuhan can rely on the Jiang-Han Plain for the supply of agricultural and sideline products and requires no support from Hunan. Metallurgy, machine-tools, and textiles are the three major branches of Wuhan's industry. They accounted for 21.3 percent, 23.1 percent and 17.9 percent of the GVIO, respectively, and require coal, iron and cotton as fuel and raw materials. However, Hunan has neither coal, iron, nor cotton to spare, and cannot be a good market for Wuhan's products. (It is true that the Wuhan Iron and Steel Co. sold Hunan 100,000 to 200,000 tons of rolled steel each year, but this cannot be misconstrued as some kind of attractive power. Similarly, Changchun's "Liberation" motor vehicles are being sold throughout China; but this does not mean that Changchun's attractive power is being felt throughout the country.) Thus, we can see that the economic relationship between Wuhan and Hunan is by no means close, and the former's economic attraction to the latter is insignificant.

If we want to look for some justification from the cities themselves, we will find that the economic results of industrial production in Wuhan are not as good as those of Guangzhou. (See Table 1.) Although the ratio of heavy industry in Wuhan (49.2 percent of the GVIO) is higher than in Guangzhou (35.1 percent), the rate of output value in terms of fixed assets in light industry is lower in Wuhan than in Guangzhou. Furthermore, Wuhan has a lower percentage of fine-quality industrial products, and fewer brand-name products; its products lack competitive power. Some of Guangzhou's light industry products, however, occupy a position of some importance in China. For example, the quantity of such products as sewing machines, refrigerators, electric fans, recorders, and cameras has placed Guangzhou second among all large cities in China, and many of them are brand-name and easily sold products. Furthermore, in 1982, Guangzhou's total social product, national income, GVIAO, and total volume of retail sales were all higher than Wuhan's, put it in the fourth rank among all large cities in China. Only its GVIO, which ranked fifth among all large cities, was 5.3 percent below Wuhan's. However, its light industrial output value, ranking fourth in the country, was 21 percent above Wuhan's.

Table 1 Economic Results of Industrial Production in 1982 in Wuhan and Guangzhou Compared

\Items Cities \	Ratio between GVIO and Fixed Assets	Profit/Interest Rate in Terms of		
		Fixed Assets	Funds	Output Value
Wuhan	1:1	20%	19%	19%
Guangzhou	1.91:1	40%	34%	21%

Table 2 Total Retail Sales, Industrial Output Value and Their Ratios in Several Major Cities in 1982 Compared

\ Cities Items \	Shanghai	Beijing	Tianjin	Shenyang	Wuhan	Guangzhou

A Industrial output value (100 million yuan)	636.7	228.7	211.9	102.6	110.4	104.6
B Total retail sales (100 million yuan)	95.8	72.6	42.3	28.6	24.7	39.8
B:A (Percent)	15.04	31.74	19.96	27.88	22.37	38.05

At the same time, an economic center's power of attraction is largely determined not only by its productive capacity, but, more important still, by the extent of its trade development. Guangzhou is one of the three first-level supply stations in China (the other two being Beijing and Shanghai), and is now a very important purchasing center in China. In 1982, its volume of retail sales ranked fourth after Shanghai, Beijing and Tianjin. (See Table 2) If we compare the ratio of its retail sales to the GVIO, then Guangzhou surpassed the other cities by a very wide margin.

Guangzhou is a seaport and an important window in China's foreign relations. Ocean shipping out of Huangpu Harbor reaches 110 countries and regions, and in 1982, this harbor handled 5.68 million tons of foreign trade traffic, which ranked second in China. Hunan exports nearly 400 million yuan's worth of goods every year, and 70-80 percent of these export goods pass through Guangzhou port. No significant change in this situation is expected in the future, since most of Hunan's goods were exported to Hong Kong, Macao, Southeast Asia, Europe and the United States, and the way through Guangzhou is most convenient and economical. If these cargoes are routed northward to the Chang Jiang and then out to the sea, the distance will obviously be longer. They cannot go through Fujian where the railway capacity is already saturated. Even though the railway linking Fujian with southern Jiangxi and Hunan will be completed some day, the distance between Hunan and Fujian's port in land transportation is still longer than between Hunan and Guangzhou. This is still not economical, and the new railway can only be used to share the load. Furthermore, Wuhan is only a river port. Today, in implementing the open-door policy, Guangzhou should be superior to Wuhan for the flow of either materials or information, and naturally has greater power of attraction.

More important still, Guangzhou is only 147 km away from Hong Kong which is accessible by waterway, railway, highway and air. That is why the importance of Guangzhou as an economic center is not judged not merely by Guangzhou city itself; the influence of Hong Kong too has to be considered. Hong Kong has undergone rapid industrial development since the late 1950's. It has developed from an international entrepot into a comprehensive industrial and trade center. In 1982, Hong Kong's total output value reached HK$157.3 billion, equivalent to more than 44 billion yuan in renminbi, and was second only to Shanghai in the mainland. However, Hong Kong is far larger than Shanghai as a shipping center, a financial center, a trade center and an information center. It has the third largest container wharf after Rotterdam and New York, and is the seventh largest port in the world. Calculated according to the average population, the number of banks in Hong Kong is the third largest in the world, after New York and London. Of the 100 largest banks in the world, 63 have their branches or offices in Hong Kong. Hong Kong's bank deposits at the end of 1982 totaled HK$ 239,072,000,000. Small as it is, Hong Kong ranks 16th among all the countries and regions of the world (in 1981) and in 1982, the total volume of its external trade reached 270,278,000,000 yuan. This is where all trade and financial information in the world is concentrated. That is why it is quite possible that in 1997, when China will recover its sovereignty over Hong Kong, Guangzhou, Shenzhen and Hong Kong as a group will catch up with or even surpass Shanghai and its surrounding cities as China's national economic center. Even now, the attractive power of Guangzhou and Shenzhen has been greatly enhanced by their proximity to Hong Kong. This is the advantage which Wuhan cannot possibly enjoy.

Because of geographical and transportation conditions, products, and other factors, Guangzhou's power of attraction is first directed at Hunan, and this power is far stronger than that of Wuhan.

IV. Conclusion

The major economic regions as a result of the demarcation of comprehensive economic regions throughout the country should be formed of several provinces (cities or districts) in organic combinations serving as comprehensive entities of regional production. This type of organic combination can only take place through a close economic relationship as objectively required. A close economic relationship is usually brought about by such dissimilarities as in resources, products, production structures, and levels of development. Only in the regions thus formed can there be a fairly strong cohesive force among the provinces (cities or districts). Only such regions can take good advantage of their strong points and arouse enthusiasm in various quarters.

The economic relationship between Hunan and Guangdong is now fairly close. Because the resources and products of both parties can complement and support each other, this relationship will be further strengthened. The combination of Hunan and Guangdong will help coordinate the development of agriculture, light industry and heavy industry, and economically, each of these provinces will have its own special features. The attraction of the Guangzhou-Shenzhen (-Hong Kong) economic center, is now and will be in the future, stronger than that of Wuhan as an economic center for Hunan. In order to function more effectively as an economic center, Guangzhou-Shenzhen(-Hong Kong) needs Hunan as a hinterland more than Wuhan does. Therefore, we believe that in the demarcation of comprehensive economic regions, Hunan should be included in the economic region in which Guangzhou-Shenzhen(-Hong Kong) serves as the center.

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ECONOMIC PLANNING

LIAONING HOLDS MEETINGS ON ECONOMIC DEVELOPMENT

SK050741 Shenyang LIAONING RIBAO in Chinese 24 Aug 86 p 1

[Excerpts] From late July to mid-August, the provincial party committee and the provincial government cosponsored on-the-spot meetings in Fuxin, Chaoyang, Tieling, and Fushun to study the issue on how to accelerate economic development in the eastern, western, and northern parts of Liaoning Province. During the meetings, provincial leaders and city leaders worked together to formulate and further define the guiding ideologies and strategic priorities of economic development in various localities in line with their actual conditions, and studied the policies and measures that they should take in order to realize the strategic priorities.

The areas in the eastern, western, and northern parts of Liaoning are key grain, forestry, water resource, cotton, oil-bearing crops, animal husbandry, and energy bases as well as key protective screens for the province's ecologic environment. But these areas are comparatively slow in economic development due to the irrational industrial development. A considerable number of areas are relatively poor. Their poverty has become a factor affecting the coordinated development of the province's economy. The provincial party committee and the provincial government have decided to regard the acceleration of the economic development of these areas as a strategic task in the Seventh 5-Year Plan period.

The meeting held: Fuxin should attach importance to building itself into an energy base and continue to give play to its role as an energy base. This is also the orientation of Fuxin for further development. Fuxin should develop itself to a city with multiple industries focusing on energy resources. The city should make great efforts to develop local industries, regard industry of building materials as its key trade, and strive to provide the entire province with its building materials in 5 to 10 years. Fuxin should give priority to developing animal husbandry and oil-bearing crops and strive to build itself into an animal husbandry and oil-bearing crops base of the province as soon as possible. The city should also make the most of its agricultural and sideline products such as livestock products and oil-bearing crops to develop town and township industries. The on-the-spot meeting held in Chaoyang pointed out: Chaoyang Prefecture should make development persistently in line with the guilding ideology and work principle of "taking water and soil conservation as a central task, focusing on developing afforestation and growing grasses, and linking engineering measures with biological measures to comprehensively develop mountainous areas, water surfaces, and farmlands." Chaoyang Prefecture should grasp the following two tasks for conducting construction. First, it should develop commodity production to change its poor features. Second, it should make the most of its rich mineral resources to vigorously develop town and township industries. The on-the-spot meeting held: Tieling should attach primary importance to develping grain. The city party committee and the city government should regard the construction of commodity grain base as a task of primary importance. The city should firmly grasp the construction of water conservancy works, transform low- and middle-yielding lands, and strive to build itself as soon as possible into a stable high-yielding commodity grain base. The city should enthusiastically readjust industrial structure, develop town and township enterprises, enliven circulation fields, and gradually set up a new structure which takes agriculture as the foundation and industry as the main body to comprehensively develop various sectors of the economy. In Fushun, provincial leaders and the leading comrades of Dandong, Benxi, and Fushun cities concentratively talked about the issue on developing the mountainous areas in the eastern part of the province. They unanimously held: The mountainous areas in the eastern part of the province should make development persistently in line with the principle of "comprehensively developing a diversified economy with a focus on forestry, and making the people rich through developing forestry." In developing mountainous areas, we should well handle the relations between forestry and diversified economy, link social benefit with economic results, and combine far-reaching results with short-term results. We should concentrate development of a diversified economy on forestry so as to make the diversified economy and forestry promote each other. The cosponsored on-the-spot meetings emphatically pointed out: Party and government leading comrades at all levels should further enliven their thinking, persistently carry out reform, eliminate traditional closed-typed economic pattern, transform their thinking, concentrate on developing commodity economy, enhance the idea of market competition and that of service, and really master the skill of using economic methods to solve problems concerning economic development.

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ECONOMIC MANAGEMENT

ZHAO ZIYANG SPEAKS ABOUT CURRENT REFORM

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC SYSTEMS REFORM] in Chinese No 2, 23 Feb 86 p 2

[Article by Staff Correspondent: "Premier Zhao Ziyang's Talk on Reform of the Current Year"]

[Text] On the afternoon of 11 January, Premier Zhao Ziyang received the fourth-term economic structural reform research class and made an important speech on the current year's reform.

Premier Zhao said: Gigantic steps were taken in our reform last year, and the result was better than originally expected. We made many important explorations last year. These explorations are of great reference value for the subsequent reforms and will provide important experiences for the future. Because of these explorations in the past several years, the goal of the reform has become clearer each year, and we can imagine that China will be able to avoid major setbacks in this undertaking. Of course, the reform takes time, and cannot be rushed.

Premier Zhao laid great emphasis on the guideline. He said: The State Council has recently decided on two tasks for the current year's reform. One of them is to consolidate, digest, augment, and improve the gains in last year's reform so that the reform measures used last year can be used again to even greater advantage. The other task is for us to take a new and important step this year preparatory to the reform in the next 2 years. Thus we have to take two big steps in the reform in 3 years, namely, one big step for the last year and the current year, and another big step for the next 2 years.

Speaking of the reform in the current year, Premier Zhao said: This year, we must continue to strengthen our macroeconomic control and strive to improve it. We must translate this spirit into action in dealing with the scale of fixed asset investment and credit. We must support whatever deserves support and control whatever needs control. While keeping the demand within bounds, we must also increase the supply. This year, we will make higher demands on macroeconomic control than we did last year, and our work should also be better. Thus we can avoid not only an excessive increase, but also the human error of slowing down growth unnecessarily.

Premier Zhao said: This year, we must pay close attention to the the lateral integration of enterprises across regional and departmental boundaries. We made a very good start in this direction in the past several years and obtained many new experiences. We must highly regard and support this type of integration in every way. Up to now, the national economy has been managed mainly vertically, and barriers exist between departments and regions. Lateral integrations across regional and departmental boundaries are too few, since they are restricted by the existing system of enterprise management. Developing lateral integrations is of great significance in promoting structural reform and liberating social productive forces. It is quite possible for this type of integration to bring further changes to the affiliations of enterprises, the structure of ownership systems, the planning system, the banking system, and the circulation system. We must make use of these lateral integrations to spur on this year's reform.

Premier Zhao continued: The external conditions of different enterprises and the unequal opportunities offered them have resulted in some irrational difference in their income. This year, some measures will be taken to deal with this problem.

What shall we do for the reform in the next 2 years? Premier Zhao said: As we can see, this issue should be considered in the light of the overall task of developing a planned commodity economy. This task will be related to the questions of the coordination of various types of market, of the means of indirect control, and of economic legislation, economic supervision, and so forth. He called on everyone to devote a full year's time to investigations and study and then to recommend the course of action.

The economic structural reform research class was founded jointly by the CPC Central Committee Party School and the State Restructuring of the Economic System Commission. Vice Principal of the CPC Central Committee Party School Jiang Nanxiang [5592 0589 5045]; vice ministers of the State Restructuring of the Economic System Commission An Zhiwen [1344 1807 2429], Bao Tong [7637 1749], He Guanghui [6320 0342 6540], and Gao Shangquan [7559 1424 0356]; Advisers of the State Restructuring of the Economic System Commission Zhou Taihe [0719 1132 0735], and Tao Lujia [7118 7627 4579]; vice chairman of the China Restructuring of the Economic System Research Association Tao Li [7118 0500]; and other comrades were present at the reception.

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ECONOMIC MANAGEMENT

POLL SHOWS 82 PERCENT OF PEOPLE SUPPORT REFORM

OW120623 Beijing XINHUA in English 0546 GMT 12 Sep 86

[Text] Beijing, September 12 (XINHUA)--Eighty-two percent of the people questioned in a recent opinion poll support and want to participate in the ongoing nationwide social and economic reform.

Though all expressed interest in the reform, the direction of individual participation differs. Some want to actively contribute reforming China's economy, political structure, culture and society. Others are eager to learn about societal changes through personal experience. Still others want to change their living and working conditions or improve their abilities.

The opinion poll, entitled "Reform and Public Opinion," was conducted by the ECONOMIC DAILY in June in 17 cities of Liaoning, Sichuan, Shaanxi, Jiangsu, Guangdong Provinces and Beijing.

According to an analysis report the newspaper published today, 73 percent of the 3,000 people questioned responded to a questionaire the newspaper designed. They include workers, managerial personnel, government employees, technicians, teachers, college students, business people and unemployed workers.

The report said most people were in favor of the new policies adopted since the reform began eight years ago. Of these, 60 percent were in favor of the concept of allowing some people to get rich first, and 84 percent were eager to do away with egalitarianism--"eating from the same cooking pot" as some people put it.

Sixty-two percent said that the open policy had more advantages than disadvantages.

As for urban reform, 57 percent of the people viewed its aim to be clear while 27 percent still see problems, and 78 percent said that urban reform had met with "great obstructions."

Most people think resistance to reform mainly comes from middle-ranking officials who are incompetent and narrow-minded others listed bureaucracy, privileges, old traditions and abuse of power as pitfalls of the reform.

Responding to the question "who benefits from the reform," people chose peasants, individual businesses and "those who seek personal gain by abuse of power."

But 64 percent of the responses have no doubt about the prospect that eventually the reform will benefit the whole people.

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ECONOMIC MANAGEMENT

RESULT OF SURVEY ON SOCIAL REACTION TO PRICE CHANGES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 28 Mar 86 p 3

[Article by Yang Guansan [2799 0385 0005] of China Restructuring of the Economic System Research Institute: "People Adapted to Changes in Commodity Prices--Highlights of Survey on Social Reaction to Price Reform"]

[Text] In cooperation with the sociology department of Beijing University, the China Restructuring of the Economic System Research Institute conducted nationwide surveys in February and July last year (that is, shortly before and after the changes in the prices of the nonstaple foodstuffs which are most closely related to people's daily life) through questionaires. In February, a total of 2,600 sets of questionaires were distributed, and 2,409 sets returned with answers. In July, a total of 2,400 sets were distributed and 2,060 sets returned with answers. The result of these surveys was as follows:

1. People universally believed in the continued rise of their living standards in recent years, and mostly supported the price reform.

According to the survey conducted in February 1985, 84.5 percent of the people believed that the living standards of their families have risen in the past several years, and 18.6 percent of them believed that their living standards had risen substantially. Only 4.3 percent felt that their living standards had been lowered.

The survey in July 1985 was conducted against a background of decontrolled prices of nonstaple foodstuffs, meat, poultry, eggs, vegetables, and other daily necessities, and a large-scale price inflation. However, 73.4 percent of the people still believed that their living standards had been substantially or slightly raised.

The rise of living standards in the past several years was the direct result of a series of reform measures. A better understanding of the reform by the majority of people naturally strengthened public support and alleviated misgivings or dissatisfaction among some people. Most of the 2,409 persons surveyed in February unequivocally voiced their endorsement and support for the price reform; 74.3 percent of them recognized it as a means of "invigorating the economy"; and 76.8 percent believed in the possibility of ultimate economic prosperity for the state through the price reform. Of the

2,060 persons surveyed in July, 60.9 percent still appreciated the objective and cause of the price reform, and 67.1 percent recognized its necessity. In another survey conducted in July (on 1,341 persons), 77.8 percent of these persons held that "despite some chaos in the reform, it is nevertheless better than 'eating from the same pot'"; 75.3 percent of them said that "as long as the reform will be successful, we can afford to have a lower living standard for the time being"; and 78.2 percent of them held that "as long as the reform measures are helpful to the development of the social economy, some risk for the individuals in their daily life is justifiable."

The understanding and support of most people for the reform was attributed to the psychological effects on the society from the reform in the past several years. This understanding and support will certainly provide more leeway for the next step of the reform.

2. The decontrol of nonstaple foodstuff prices had to a certain extent affected the people's standard of living and increased their dissatisfaction. They were placing their hopes on the next step of reform.

After the decontrol of nonstaple foodstuff prices, the prices of meat, poultry, eggs, vegetables, and other daily necessities were allowed to fluctuate in line with market conditions or to include a quality differential. Prices were rising everywhere in varying degrees and causing certain hardship on the people. To maintain or raise the level of food consumption, 27.9 percent of the people had to cut down their expenses on clothing, 27 percent of them had to abandon their plan to purchase durable consumer goods, and 20.6 percent had to reduce their savings deposits.

Despite certain hardship and dissatisfaction among some people, the majority of them still placed their hopes on the development of production and the next step of the reform, and opposed any "retreat." Among these people, 68.3 percent believed that the development of production would naturally bring down prices, and 64.9 percent hoped that the wage reform would alleviate their hardship. Only 29.5 percent agreed with the use of administrative measures to lower prices to their original levels, but this view was not shared by the majority. People no longer relished the days of standing in long lines to purchase some vegetables, and have expressed their confidence in the reform's future. Furthermore, 84.5 percent believed that the price reform for nonstaple foodstuffs would give an impetus to China's economic structural reform.

3. People have been tempered in the practice of reform and their adaptability to the market economy has been enhanced. According to the February survey in 1985, the majority of people supported the price reform, but at the same time, 61.8 percent of them frowned on the setting of market prices and the decontrol of some prices. However, the July survey showed that after a brief tempering under market conditions, many people took a distinctly different view of price decontrol and the setting of market prices, and 64.9 of them were in favor of an "overall decontrol of prices" or the " decontrol of some prices." The ratio between supporters and opponents before the reform was reversed afterward. This shows that the tempering in the practice of reform and the realities of market conditions are the basic means to refresh human concepts

and to raise the standards of modernization. At the same time, 54 percent of the people are strongly opposed to the view that "unchanged prices are a symbol of the superiority of the socialist system," while only 32.7 percent agreed with this view. As for the need for a quality differential in commodity prices, 77.5 percent were in agreement and only 19.4 percent dissented. This indicates that most people have been liberated from the old economic concepts and accepted these price changes. This acceptance is undoubtedly a favorable condition for further price reforms. However, the effects of "eating from the same pot" over the past several decades cannot be eliminated overnight. These effects were clearly shown among 80 percent of the people in the survey who preferred a placid life even with less income. The change of such a mental attitude will be a long process which may accompany the reform from the beginning to the end.

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ECONOMIC MANAGEMENT

RENMIN RIBAO ON OWNERSHIP SYSTEM REFORM

HK101551 Beijing RENMIN RIBAO in Chinese 1 Sep 86 p 5

[Article by Shang Xuanli [1424 1357 4409]: "A Discussion on the Question of 'Ownership System Reform and Structural Readjustment"]

[Text] Great changes have taken place in China's ownership structure following the profound development of economic structural reform. These changes have manifested themselves as follows: One is the emergence of a new, diversified structure under which various types of ownership systems coexist and develop together, with the economy under public ownership as the main component. The other is the change in strict separation of different ownership systems from each other to the mixing of these ownership systems. To further carry out ownership system reform, readjust the ownership structure, and rationally arrange ownership reforms, the Propaganda Department of the Shanghai Municipal CPC Committee and units including the federation of workers in the social sciences held a joint symposium on reform of the ownership system of the means of production and the readjustment of the ownership structure.

The Key to Ownership System Reform Lies in Reform of the State Ownership System

As state ownership occupies a dominant position in China's ownership structure, the key to ownership system reform lies in reform of the state ownership system. The participants discussed three different plans with regard to this problem.

The first plan is to perfect the state ownership system through economic structural reform. Based on the fact that ownership by the whole people takes the form of state ownership, this plan suggests that state ownership should not be negated but perfected. If state ownership is negated, it will be impossible to centralize the means of production of the country and to effectively organize social production, thus giving rise to separatism and diversion from socialism. But if this ownership is not reformed, the rigid, traditional economic mode cannot be removed and enterprises will lose their vitality. This reform is aimed at separating ownership rights from operational rights according to different situations in enterprises and at allowing enterprises to adopt various operational forms. For example, some enterprises will be run by the state, most enterprises will be operated by themselves under ownership by the whole people, and small enterprises will be leased or contracted out. On the one hand, this reform plan recommends retaining state ownership and allowing the state to remain the owner of enterprises, to use its ownership rights to seek profits, to draw up plans, and to regulate the social economy by means of economic levers. On the other hand, it suggests that enterprises should assume sole responsibility for their own losses or profits, because they have independent operational rights. Viewed from lateral relationships, as independent economic bodies, enterprises are the basis for forming a market mode. Horizontally, the establishment of state ownership provides a prerequisite for the setting up of a macroeconomic regulatory mechanism. The combination of these two is the mode of a planned commodity economic mechanism. But a difficult problem facing this plan is how to form an internal regulatory mechanism which can ensure the rational and independent operation of enterprises so that a clear distinction between ownership rights and operational rights can be made.

The second plan is [word indistinct] ownership by the whole people into ownership by enterprises. Ownership by enterprises under socialist conditions is also a form of public ownership. [word indistinct] essence is to negate state ownership and change ownership by the whole people into collective ownership. This plan was put forward on the grounds that state ownership is the fundamental cause of loose control over the budget, inactivity of producers, low labor productivity, and bad economic results. Therefore, ownership reform should be aimed at turning ownership by the whole people into ownership by enterprises, allowing laborers to have a direct link with the means of production and encouraging enterprises to operate on their own and assume sole responsibility for their losses or profits. The function of the state will be to carry out regulation by means of economic levers so that enterprises' activities are kept within a rational scope. However, as to how to ensure the expanded reproduction of enterprises, how to exercise macroeconomic control over consumption funds, and how to guarantee the planned development of the socialist commodity economy, all without state plans and intervention, these are difficult problems for this plan to solve.

The third plan is to substitute stock ownership for the state ownership system. The theoretical basis for this plan is that the method of distributing stocks is an inevitable outcome of the commodity economy and large-scale socialized production, is a specific form for laborers to have a direct link with the means of production under socialist commodity economic conditions, and is a manifestation of an economic relationship in which the economic rights demanded by socialist laborers for possessing the means of production conform with their economic interests resulting from such possession. In this way some of the fixed assets of enterprises under ownership by the whole people will be transferred to enterprises by assessing their prices and allowing staff members and workers to buy shares. The state will set up share control companies, and an enterprise mode will be formed in which the state, the enterprise, and the laborer will jointly run enterprises. This plan will not change the nature of the state ownership system but will help form a new type of socialist state ownership, as most of the stocks are still in the hands of the state.

However, some participants were of the opinion that although nothing fundamental has happened to the ownership nature of state-run enterprises under the stock ownership system, a great change has taken place in their internal structure. The nature, position, and role of the state, the enterprise, and the laborer are different from each other. Therefore, the contradictions between these different economic mechanisms remain to be solved by the plan.

While discussing these three plans, many participants maintained that although the first plan has some shortcomings, it is more workable than the other two in the present period, because it can prevent social and economic turbulence brought about by ownership structural reform and is beneficial to the establishment of a macroeconomic regulatory system and to the readjustment of the microeconomic base. Although the second plan will help secure the position of commodity producers and simulate enterprises' vitality, the ownership system under this plan determines that the state can only give guidance to economic activities from the superstructure. This, in essence, denies the state's planning function and is very far from the target of China's reform of the commodity economy. In theory, the third plan has many problems, and the participants had great differences of opinion on it. In practice, its implementation relies on external conditions, some of which are not easily obtainable in a short period of time. For example, the full development of the commodity economy the establishment of a money market system, the perfecting of economic law, and the formation of a monetary management contingent can only be realized in the distant future. Therefore, the stock ownership system can be trial implemented on a long-term basis in some regions and individual enterprises. In addition, an in-depth study of the theory of stock ownership should be carried out along with the trial implementation of this ownership system.

Ownership Structural Readjustment Should Be Aimed at Making Rational Arrangements for Ownership Forms

Ownership structural readjustment should be aimed mainly at making rational arrangements for various ownership forms. In other words, a rational proportion between state ownership, collective ownership, semi-socialist ownership, and nonsocialist ownership should be made in light of the actual development of the productive forces. Some participants pointed out that the leading position of public ownership and the leading role of the state-run economy in the national economy have displayed their good points not only in terms of proportion, but also in their equal competition with other ownership forms. If the economy under state ownership is reformed in such a way that its leading role is strengthened, and if individual laborers and dealers who assume sole responsibility for their losses or profits are given correct guidance and management, there will not be any contradiction with the public ownership system even though the proportion of the gross output value of the economy under nonpublic ownership is increased from 2 to 10 percent. In addition, as the development of the productive forces in China is not in balance, the arrangement of various ownership forms should be made according to the various conditions of the productive forces in different regions, different departments, and different trades.

In arranging different ownership forms, a new understanding should be reached on the role of the collective economy and on its relationships with the state-run economy. Some comrades pointed out that under the present conditions of China's productive forces, the collective and state-run economies constitute the main body of the socialist commodity economy. Like the two wheels of a cart, neither is dispensable and both are equally important. With the full development of the socialist commodity economy, these two types of economies should merge into a new economic combine which will finally shift to the form of direct social possession. It will no longer follow the formula of "the small collective economy--the large collective economy--the state-run economy." Therefore, the collective and state-run economies should be politically equal and economically beneficial and supplementary to each other. In addition, as the general level of China's productive forces is still low, the collective economy is more adaptable to the new situation than the state-run economy. It is necessary to correctly understand the position, role, and trend of the collective economy in China's economic development. This is an important condition for rationally arranging different ownership forms.

Similarly, it is necessary to gain a new understanding about the position and role of the individual economy and other nonsocialist economies. Following the profound development of economic structural reform, the individual economy has greatly developed in the urban and rural areas and played a more prominent role in the socialist economy. It has promoted the development of the commodity economy as well as economic prosperity in the urban and rural areas. It has helped expand employment, increase fund accumulation, and promote reforms in state-run and collective enterprises. It has also provided society with conditions for training managerial and technological personnel, Practice has proved that the individual economy can be adapted to different developmental needs of the productive forces.

However, problems in the development of the individual economy should not be overlooked. For example, the income of some individual households is too high, and some of them violate laws, evade taxes, deceive people, and harm the interests of consumers. To solve these problems, it is necessary to perfect economic laws, to improve management, to combine guidance with management, and to give those engaged in the individual economy education about the legal system, cultural knowledge, and professional information so as to improve their political, cultural, and economic quality.

The hiring system in the individual economy is worth studying. Some comrades are of the opinion that is not good to make a final decision on this problem or to adopt a negative attitude toward it. Relevant policies should be drawn up in line with the role and trend of the individual economy in the development of the socialist commodity economy, and necessary management and guidance should be given so as to absorb its good points and discard its bad ones.

Lateral Economic Integration, an Inevitable Outcome of Ownership System Reform, Will Blaze a New Trail for China's Economic Development

In ownership system reform and structural readjustment, various types of ownership systems have mixed and combined with each other, thereby forming many new cooperative economic types. The emergence of these new economic types has helped form a vigorous developmental trend in the lateral economic integration under different ownership systems.

The emergence of lateral economic integration and of new economic types is an inevitability. Some participants remarked that the fact that China is large, its productive forces are divided into various levels, and its economic development is uneven has caused the great difference between regions, departments, and enterprises in terms of production conditions, technological levels, market capacity, and resources. This difference will cause a flow. But under natural economic conditions, this flow is spontaneous, slow, on a small scale, and sometimes even stops. Under commodity economic conditions, this flow will speed up. In particular in a situation when various localities are invigorating their economies and speeding up their modernization, the flow of technology, resources, products, funds, and talented people should be faster, in greater numbers, and on a larger scale. Therefore, lateral economic cooperation and integration should be arranged in such a manner that they meet this demand. Viewed from production relations, under China's traditional economic structure, the separation of regions from departments and of different ownership forms from each other has seriously hampered the flow of production factors and the rational distribution of resources. Economic structural reform should have a new economic form which can put an end to the separation of departments from regions and of different ownership systems, so as to set up a new economic structure. Lateral economic integration is an inevitable outcome of this demand. Its main characteristic is that it can contain different ownership forms. In other words, ownership by the whole people, collective ownership, individual ownership, and even foreign capital can be components of this economic integration which will give rise to a new economic form and operational method. This integration will help combine the interests of the state, the collective, and the individual. It will also enable different ownership forms to coexist in one economic integration body, thereby forming a new type of closely coordinated ownership structure. Some comrades pointed out that the development of the socialist commodity economy requires a commodity market, a capital market, a labor service market, a technology market, and an information market, through which different regions, departments, and enterprises can carry out the exchange of commodities, the accommodation of capital, the rational transfer of the labor force, the introduction of technology, and the transmission of information. Therefore, the separation of different ownership systems should be broken and various forms of economic integration established. When this economic integration starts between different ownership systems, ownership rights to the production means, capital, and products will take on a diverse nature.

Lateral economic integration has immeasurable positive bearings on the development of the socialist economy. First, the development of lateral economic integration will inject vitality into the economy under ownership by the whole people so that this economy will shift from its role of exerting external influence to the role of carrying out internal control. In this economic integration, as the economy under ownership by the whole people occupies capital, technology, resources, and other favorable conditions, it plays the role of a "dragon head." This will lay a reliable foundation for leading and controlling production in the socialist direction.

Second, lateral economic integration will blaze a new trail for the development of collective ownership and the cooperative economy. The rural collective economy in China was originally organized according to the natural division of townships and villages, and the collective economies in cities and towns were set up according to the administrative division of districts and streets. Following the development of the commodity economy, these collective economies, which were formed according to administrative division, found it difficult to cope with the demand of socialized large-scale production. Lateral economic integration will naturally enable these collective economies to break away from the restrictions of administrative division and to expand the scope of their cooperation on the basis of equality and mutual benefit in line with the need for and economic relationships in coordination among specialized units. Various types of new cooperative economies will be formed as a result of the expansion of cooperation in small areas into large-scale cooperation, which includes cooperation at the village, township, regional, and provincial levels as well as cooperation at the international level (such as cooperation in trade, labor services, technology, and capital).

Third, lateral economic integration will help urban and rural economies merge into an organic whole. Lateral economic integration will develop through the combination of urban and rural areas and of the workers and the peasants. On the one hand, urban large industry will be expanded so as to build workers-peasant jointly-run enterprises; to provide the rural areas with capital, technology, and materials for the formation of a processing industry; to develop the rural industry; to improve material conditions for agriculture; to arrange jobs for rural surplus laborers; to improve the peasants' livelihood, and to bring the rural standard of living closer to the urban standard of living. On the other hand, the rural areas can provide more agricultural and sideline products for cities, process parts and components for large industry, and provide sites, factory buildings, and laborers for it, thus making contributions to the development of urban industry. Viewed from the experiences of many countries in the world, lateral economic integration brought about by the commodity economy will certainly help urbanize the rural areas and finally eliminate the differences between urban and rural areas.

Lateral economic integration has opened up a new way of thinking which believes that the two public ownership systems will be unified without transforming one into the other and will develop in coordination with each other. The practice of worker-peasant jointly-run enterprises has proved that cooperation and integration can be carried out between ownership by [word indistinct] people and collective ownership in terms of shares, capital, technology, products, the labor force, and raw materials. A new type of socialist ownership system at a higher level will be formed when the economic situation of both sides become closer, their common interests have taken shape, and their differences become smaller.

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CSO: 4006/8

ECONOMIC MANAGEMENT

ARTICLE ANALYSES MAJOR REFORM MEASURES

HK110205 Hong Kong CHIUSHI NIENTAI in Chinese No 200, 1 Sep 86 pp 42-44

[Artifle by Pei Ni [2431 1441]: "CPC Planning Major Reform Measures"--passages within slantlines published in boldface]

[Text] /At the beginning of July, Zhao Ziyang issued a surprising signal which showed that China's reform would abolish the "birdcage" pattern. The experimental reform units were growing in number and the relevant documents had been prepared. The systematic reform and "personnel reshuffle" were in sight./

1. The Signal of "Abolishing the Birdcage"

On 4 July of this year, Chinese Premier Zhao Ziyang and First Deputy Chairman of the Romanian Council of Ministers Ion Dinca held a significant and surprising talk, which made people feel fresh and new.

Ion Dinca mentioned what Li Xiannian once said during his visit to Romania: Economic work is just like a bird. If you put it into a cage, it will die of suffocation. If you don't put it into a cage, it will fly away. Zhao Ziyang added that a good bird-raiser cannot only let the bird fly away but can also call the bird back whenever he wishes. Ion Dinca expressed doubt and said: Such kinds of bird-raisers are really too few. But Zhao Ziyang replied: "We are learning this skill right now."

The above was the report carried by ZHONGGUO XINWEN SHE. The newspapers in China also reported this dialogue. However, it seemed that only few people had paid attention to the report, let alone discussion on the report. However, this dialogue is of great significance! The dialogue took place on a "foreign-related" occasion, the dialogue was held between the Chinese premier and a leader of a foreign country; and the dialogue was reported by an official news agency! Why did Zhao Ziyang publicly hint at "abolishing the birdcage"? What did Zhao's remarks suggest?

How could the theory of a "birdcage economy" be innovated by Li Xiannian who has always tried not to offend anybody! It was the famous remark of Chen Yun. Li Xiannian only acted as a relay station. Clever people could easily understand: the metaphor of the "birdcage economy" cannot only be applied to explaining the relationship between the commodity economy and the planned economy but also be applied to China's politics, law, human rights, ideology, speech, culture and so on.... It is because this theory can be widely applied that Zhao Ziyang's remarks are well worth being studied and thought over by people. Zhao's remarks are not a trial balloon nor are they the indiscreet remarks. Zhao Ziyang's remarks had a definite object in view and were a surprising signal. They were the bugle to make headway with a series of reforms.

2. The Rising Wind Forebodes the Coming Storm

Over the past few months, on several occasions, Deng Xiaoping publicly talked about China's urban reform, expressing unusual optimism and confidence on the reform. However, as far as the whole country is concerned, the enormous facts have not but made people wonder, worry and doubt. It seems that the "birdcage" is becoming smaller and smaller. If Deng, Hu and Zhao are gone, China's economy, politics and culture... will still be closed in the "birdcage." So way not ask the theorists of all circles to come forward and directly discuss and study the exact size of the "birdcage"? Why continue to talk about the reform?

There are two old sayings in China: "From the first small beginning one can see how things will develop" and "from one small clue one can see what is coming." When we read the reports carried by the CPC controlled papers, we can easily find that Zhao Ziyang deliberately issued a surprising signal to the whole world.

One CPC controlled paper reported: in Zhejiang Province, quite a number of enterprises under the system of ownership by the whole people have been turned into collectively owned enterprises. Some small enterprises have been rented to individuals. The enterprises under the Shenyang Engineering Bureau have implemented on an experimental basis the joint-stock system. The shares issued include the state shares, enterprises shares and individual shares. In mid-May, a symposium on the theory of the enterprise stock system was held and attended by almost 200 experts and scholars from all over the country. In Shanghai, there are now 13 joint-stock enterprises. This is the reform of the ownership system.

Another CPC controlled paper reported that the enterprises in Shenzhen City, Zhuhai City and some other cities of Guangdong Province have already conscientiously implemented a contract system on their staff and workers. Enterprises in those cities are allowed to employ staff and workers and dismiss staff and workers. Universities and colleges there have also implemented the contract system in employing teachers. This is the beginning of the reform aimed at smashing the iron rice bowl and abolishing the practice of eating from the same big pot.

It was also reported that in Sichuan Province, which first implemented the factory director responsibility system in China, the factory director responsibility system under the leadership of the CPC committee of the factory concerned is being turned into the factory director responsibility system under the leadership of the CPC committee of the factory concerned. On questions concerning the employment and dismissal of staff and workers, when the opinions of the factory director differ from or contradict the opinions of the party secretary, the factory director has the final say. This is the reform of the power of leadership of the urban enterprises.

Other papers reported: China's "Enterprise Bankruptcy Law" has already been completed and only needs to be approved, promulgated and implemented by the National People's Congress. An enterprise in Liaoning Province has already declared "bankruptcy" on a trial basis. This is the reform aimed at solving the problem of enterprises responsible only for their own profits and not responsible for their losses.

Usually, before adopting major policy changes and taking major actions throughout the country, the CPC first makes experiments and prepares public opinion and then waits for the right time, country's situation and sufficient support of the people to start the real course. It is only by actually doing things that they can gain experience and learn lessons and find out whether what they do is correct or not. This is an exploratory and prudent work method. Compared with Mao Zedong's method of clapping his forehead and creating a violent storm which could turn heaven and earth upside down in China, this new work method is significantly more advanced.

China's world-renowned rural reform was first started by Zhao Ziyang in Sichuan Province. At that time it was only an experiment and the pioneer and signal of the overall reform. It was Zhao Ziyang's master hand's first small display and the first bird released by Zhao Ziyang. Now, China's urban economic reform is in a situation characterized by "the wind sweeping through the tower heralding a rising storm in the mountains," and China is ready to abolish the "birdcage." The relevant important documents of the CPC Central Committee and the State Council have already been prepared and can be issued at any time.

Will the reform carried out by the CPC touch upon or change the present owenrship system? The answer is yes. This is because there are results from experiments and the support of public opinion in advance. To what extent and to what degree will the reform directly touch upon or change the present ownership system? This is something people cannot predict. This is because the question of the reform of various structures and systems is concerned with the ownership system and is restricted by the ownership system and confined in the "birdcage." According to the signal given by Zhao Ziyang, it is extremely possible that except for the railroad, communications, petroleum, post and telecommunications, defense industry and so on, nearly all the enterprises or most of the enterprises will be turned from enterprises under the system of ownership by the whole people [word indistinct] collectively-owned enterprises or joint-stock enterprises or cooperative enterprises. If the CPC really do things in this way, it will again attract worldwide attention.

Only by reforming the ownership system will the CPC find it easier to reform various structures and systems so as to implement the staff and workers' contract system in most of the enterprises in the whole country. If the iron rice bowl is really smashed and the practice of eating from the same big pot is really abolished, the workers and staff members who are employed will think and behave in a different way, while the workers and staff members who are dismissed will certainly feel differently and live a different life. Either according to the regulations or according to the will of the factory director, the number of those who "are dismissed" and who are unemployed will only increase and will not decrease. Those who are presently employed and will be dismissed will be counted in tens of millions. Add to that the annually increasing number of millions of unemployed youth and China's unemployment will be a social problem which will in turn become another major political problem. However, Deng Hu and Zhao have already given enough thought to this problem and have a well-thought-out plan. If they are to play chess in this way, they would really be outstanding chess players (not standard bearers) with foresight and resolution.

Since Zhao Ziyang could issue the surprising signal of "letting the bird fly away," the relevant decisions and documents concerning the reform must already been approved by the CPC Political Bureau. So it does not matter much whether Chen Yun had reservations or made concessions on this question. This is the beginning of the continuation of China's reform at a new level and a new stage but not the result of the struggle between the so-called reformers and the so-called conservatives. This is a turning from the darkness to the brightness and not a seven-magnitude earthquake which can only be understood by the one who caused it. This will go down in history.

3. To Make Decisions Through Systematic Analysis

"When we try to solve a problem, we should take into consideration all the relevant questions concerning the problem. This method of consideration is called a "system." (Qian Weichang: "The Modern Science of Organization and Management--systematic project")

Is it true that when China has had a series of major reform measures and reform decisions and documents from the CPC Central Committee, which might "let the bird fly freely in the sky," China's reform will make headway and the reform of the political system and the reform of the economic structure will be thoroughly carried out and the entire situation in Chian will become "unprecedentedly good"? My answer is: Not necessarily so, or more exactly, no.

Why not? Because until now, the CPC has not yet really run the country, the party or the economy in a scientific democratic way, nor has it widely or really made proper use of qualified personnel. The CPC has not yet done things which it should have done, such as casting away the old and fuedal things and applying systems engineering and modern science. For example, Chen Muhua, Wang Bingqian and Zheng Tuobin all belong to this kind of thinking. The well-known "Document 101" on increasing taxes on import and export trade, increasing tax rates and tariffs, and the issuance of import and export certificates and so on are good examples. The repetition of "either too rigid control or great disorder" will probably not disappear once and for all because of the sweeping reforms.

There is an old saying in China: "The top has policies and the bottom has countermeasures." Some Chinese (not all the Chinese) possess this kind of special ability. No matter what law, policy and regulation China has, they will be able to find ways to do their own things. Naturally, some people will do things which run contrary to the state law, policies and regulations, or even violate the state laws and policies because China is a big country.

The problem is that the central authorities and the State Council's reform measures and policies still have loopholes, and the CPC Central Committee and the State Council have not been able to systematically make decisions, all of which is still a distance away from the application of modern science and the essence of Marxism. It is good that the members of the Secretariat of the CPC Central Committee have already been able to sit down and learn some general law. However, will Chen Muhua and Wang Bingqian be able and willing to sit down and learn the science of systems engineering. I think that they have not done so and will not do so.

The science of systems engineering includes social sciences and natural sciences and consists of logic, mathematics and physics. To apply systematic analysis to the scientific decisionmaking process means to use mathematics, statistics, logic, psychology, philosophy, economics and other measures and technologies to solve the complicated question of decisionmaking under the system of human society. The People's Bank of China and the State Council have recently issued formal documents on exercising strict control over the scale of capital construction. This is a good thing. Although the documents say that 30 percent of the funds should be used as circulating funds, they have not mentioned the exact figure of the circulating funds. Furthermore, the rational or the most appropriate amount of circulating funds for various cpaital construction projects and various enterprises vary greatly from one another. Although the mentioning of 30 percent is better than not mentioning the percentage, on what should the percentage be based? Where can we see the sign of the science of systematic analysis?

Information theory, cybernetics and systems engineering are three major scientific theories in the 1980's. Information theory has been accepted, applied and publicized by many CPC leaders with breadth of vision, but cybernetics and systems engineering which have an important bearing on China's reform have so far been widely ignored by the CPC leaders. The CPC leaders and ministers should ask Professor Qian Xuesen, who has been strongly advocating the integration of military science with systems engineering and who has already hosted a symposium on this subject, to lecture them on cybernetics and system theory for a long period of time!

4. The Brain Trust and the Policy of "Personnel Reshuffle"

The first generation of veteran CPC leaders who tempered themselves through wars know what role staff officers once played and could play in the war. Liu Bei, who was not too middleheaded, knew to repeatedly request Zhuge Liang to be his chief of staff and later invite Pang Tong and others to form a brain trust. However, since the beginning of 1950's, in government organs, factories and enterprises, production brigades in the rural areas, even the designing institutes which were usually nicknamed "ancient castles," secondary schools and primary schools, all things had been decided by the party secretaries there in the name of the party leading everything. How could you see any staff officials or brain trusts! This is because intellectuals had been considered the worst!

Since 1979, things have been changed. The CPPCC's and people's congresses at various levels have dared to give their opinions and suggestions. However, it seems that the brain trusts have not yet been widely formed in the whole country because few ministers, mayors, county heads and party secretaries have been willing to admit that they lack knowledge, do not know about science and cannot make rational decisions. They think that they are either "gifted" or at least "know how to make sound decisions." It is impossible for them to ask the opinions of the intellectuals and the brain trusts and consult the intellectuals and brain trusts when making decisions. They thing that intellectuals and brain trusts should go away!

Hong Kong's Fung King-hey did not know much English, but he dared to use and knew how to use the brain trust so that he was able to enable the Sun Hung Kai Group to become prosperous and thriving. Li Kah-shing started his business in Hong Kong are handedly, and as of now, he still employs more than 40 brain trust members by paying them high salaries. These brain trust members sit there looking for information, using their brains, giving their suggestions and drafting plans. How about Li Hah-shing's business today? If the CPC Central Committee and the State Council have already had their own brain trusts but the quality, quantity, knowledge and role of their brain trusts are even inferior to Li Kah-shing's brain trust, they will certainly suffer from them.

A lot of facts of the reform carried out by the CPC over the past few years show that China's brain trusts are not competent enough. Without brain trusts, things cannot be done well. On the contrary, if brain trusts give wrong opinions and incorrect proposals or individuals make wrong decisions, things will be worse.

It would be better to have fewer symposiums at which experts are invited to have discussions which will neither be paid attention to nor accepted. This is because fewer symposiums can at least save some money and save the time of the experts.

Liu Binyan once wrote a book entitled "Powers Exercised by Scholars." When the structure and system had not been reformed, Duan Jialin became the secretary of the country party committee when Dual Jialin wanted to elimiante the bad variety of paddy rice through selection in the country, some secretaries of the country party committee did not agree. Duan Jialin said: "I am sorry, if you insist on not changing the variety of paddy rice, I will replace you with others." Duan's remarks came right to the crucial point.

Duan Jialin did a lot of good things in Wanan County. I greatly admire his "Declaration on Personnel Reshuffle" and "Policy on Personnel Reshuffle." That the CPC is presently organizing the second echelon and the third echelon is actually aimed at implementing the "Policy of Personnel Reshuffle." However, what the CPC wants to do is to reshuffle its personnel batch by batch and level after level. So, in comparison, I still admire Duan Jialin's "Policy on Personnel Reshuffle." In other words, I agree that Zhu Houze and Wang Meng should become heads in charge of ideology and culture respectively. This kind of reshuffle is different from the transfer of Chen Muhua from minister of foreign economic relations and trade to president of the People's Bank of China.

I am waiting: When will China's minister of foreign economic relations and trade, finance minister and presidents of banks be replaced by people of Duan Jialin's type and with Duan Jialin's quality?

China's reform is a major event which has attracted worldwide attention. It is even more a major event in that Renmin Ribao for the first time published an article attracking feudalism. There has been an exchange of various types of information and there have been all kinds of joy, sorrow, excitement and opposition and so on. Will China's reform continue or retreat, succeed for fail? There have been various kinds of predictions and expectations. As for me I have always fixed my eyes on two things: One is making decisions by applying the science of systems' engineering; the other is the policy on personnel reshuffle.

5. The "Birdcage Economy"

Let me return to the topics of the "birdcage economy" again.

In fact, even if there is no one making a "birdcage," and a bird is allowed to fly freely in the sky, there is always an invisible "birdcage" in a broad sense because the flight of a bird limited to a certain altitude, scope, condition, temperature and so on. This is the same with human beings. Since mankind entered society, individual freedom has always been conditionary and there can only be relative freedom. Laws, customs, ethics, culture, ideology, prejudices and so on... have always been the due or undue limitations and shackles which restrict the freedom of manking. Compared with Chen Yun's theory of a "birdcage economy," Zhao Ziyang's theory of "letting the bird fly freely" is more progressive. However, Zhao Ziyang himself, Deng Xiaoping, Hu Yaoband and Hu Qili and so on still regard themselves as "bird-raisers." No matter whether the bird in the cage refers to commodity economy in a narrow sense, or refers to human rights, culture, politics..., generally speaking, Deng, Hu, Zhao and Hu Qili and so on will still control the bird.

Most of us have seen a swarm of wild geese flying in the vast clear skies. They are not shut in a "cage," nor are they let go and called back by bird-raisers. However, year after year, they still fly from the north to the south and then return from the south to the north, writing a big [chinese] character: Man between the blue sky and white clouds.

Cannot the wild geese flying in the vast clear skies write the big characters: Man give us some enlightenment?

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CSO: 4006/007

ANHUI CIRCULAR ON RAISING CONSTRUCTION FUNDS

OW170833 Hefei Anhui Provincial Service in Mandarin 1100 GMT 15 Sep 86

[Text] The general office of the provincial people's government recently issued a circular calling for resolutely correcting the practice of increasing prices, or doing so in disguised form, to raise funds for capital construction.

The circular points out: The practice of increasing prices, or doing so in disguised form, to raise funds for capital construction not only expands the scope of capital construction but increases the burden on enterprises and the people. This must be resolutely rectified.

The circular says: The measure approved by the State Council allowing the province to raise funds for the development of power industry by raising power rates for industry will continue to be implemented. With the exception of this, the practice of increasing prices, or doing so in disguised form to raise funds for capital construction by any locality or department must be immediately stopped. Projects planned to be built in this way should be scrapped, those whose construction has not yet been started should not be started at all, and those under construction should be immediately halted. Individual projects in the final phase of construction should be reported to the provincial people's government for approval before completing them.

The circular also pointed out: While making an inventory of projects under construction, prefectures and cities should make a thorough investigation of the practice of increasing prices, or doing so in disguised form, to raise funds for capital construction and submit opinions to the provincial discipline inspection commission on how to handle such projects and the balance of funds raised for capital construction.

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ECONOMIC MANAGEMENT

CHONGQING IMPLEMENTS ASSETS MANAGEMENT SYSTEM

HK161559 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 16 Sep 86

[Text] Yesterday, Chongqing City decided to implement the system of responsibility for the management of assets in 20 state-run enterprises.

After Shenyang City implemented the system of responsibility for the management of assets, in the beginning of July, Chongqing City first implemented it in (Hongyuan) machinery plant. The city also openly invited applications for enterprise leaders from the whole country. Some 20 persons with breadth of vision have now sent in applications for examination.

The system of responsibility for the management of assets is a new socialist enterprise system. Applications are openly invited from the public in order to select leaders of enterprises. Applicants must put forward plans for the management of enterprises' assets. Once selected, they have full power to manage the enterprises.

In doing so, we can separate the ownership of the enterprises from the management of the enterprises and basically solve the problems of enterprises' decisionmaking power, selecting enterprises' leaders, and [words indistinct].

Relevant experts hold that this will be a model for future enterprises of our country.

According to the arrangements by the State Restructuring of the Economic System Commission, after Chongqing City implemented the system of responsibility for the management of assets in (Hongyuan) machinery plant, it has further revised and perfected the plan for the system of responsibility for the management of assets. It has decided to implement it in 20 state-run enterprises throughout the city.

In coordination with this important reform, comprehensive departments of Chongqing City, including the tax bureau, have carried out reform accordingly. They have readjusted the tax rate of some 20 enterprises that have conducted a pilot project. In principle, a state-run enterprise can enjoy the tax rate of a collective enterprise. The tax rate should not exceed 50 percent in order to encourage enterprises to make use of their capital to expand reproduction.

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ECONOMIC MANAGEMENT

CHONGQING TO GIVE MANAGERS MORE RESPONSIBILITY

OW052030 Beijing XINHUA in English 1552 GMT 5 Sep 86

[Text] Chongqing, September 5 (XINHUA)--Managers of most of the state-owned enterprises in the city of Chongqing in Sichuan Province on Saturday will become responsible for production and management decisions and results.

City leaders made the decision today at a meeting with enterprise managers.

The manager responsibility system has been tried in 27,000 selected factories and mines throughout China, one city official told XINHUA.

It replaces the collective leadership system--still dominant in China's state-owned enterprises--in which committees of communist party leaders supervise managers.

In the 1950s, national communist party leaders and theorists condemned versions of the manager responsibility system as capitalist practices.

The decision by the Chongqing government, which has provincial-level powers, requires all state-owned industrial and commercial enterprises in the city to follow the manager responsibility system.

It also calls upon collectively-owned enterprises to institute the system as soon as possible.

Managers of most enterprises are local government appointees who, under the old system, had to be approved by their enterprise's party leadership committee.

Under the new responsibility system, party committees will lose their veto. And managers, who can earn up to twice the average worker's salary, will be empowered to make major decisions about management and production and key personnel.

Advocates of the new system say it will produce more efficient management and overcome the old system's primary failing--a split between decision-making power and everyday managerial work.

In addition, they say it will give managers more freedom to implement responsibility systems for workers, linking income to output.

At the same time, some advocates of the new system say that giving managers more power will make it necessary to improve such democratic management systems as workers' congresses to ensure that trade unions and individual workers have a say in major policy decisions as well as opportunities to protect their own rights and interests.

The new system is already at work in 460 of Chongqing's enterprises, making the city among the first in the country to test the system's advantages.

In a recent survey, city researchers found that 81 percent of the reformed enterprises reported improved management and production, making them more competitive in domestic and foreign markets.

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GUANGXI HOLDS CONFERENCE ON PROVIDING WORK AS RELIEF

HK051005 Nanning Guangxi Regional Service in Mandarin 1000 GMT 4 Sep 86

[Excerpts] The recent regional conference on providing work as a form of relief and on management of funds for development stressed: All places throughout the region must seriously do well in grasping the work of providing work as a form of relief, do a good job in the management and use of funds for development, and strive to complete the tasks of providing work as a form of relief.

The conference pointed out that since the winter of 1984, the state has appropriated a large amount of grain and cotton cloth for our region and demanded that within 3 years, our region adopt the mode of providing work as a form of relief to help the poor places repair and build roads and water conservancy facilities. This is a measure of the state to help the poor in poverty-stricken areas.

After affirming the achievements in providing work as a form of relief scored by our region over the past year or so, the conference emphatically pointed out that to really do well in grasping this work, this winter and next spring the whole region must really do well in grasping the following several aspects of work: It is necessary to strengthen leadership. All prefectures and counties concerned must regard this work as important capital construction for making the poor places get rich. They should continue to grasp it firmly and well. In places where projects are carried out slowly and their quality is poor, it is essential to help them discover the reasons, to find methods to solve the problems, and to carry out the projects quickly. It is imperative to carry out the plans for construction after autumn. We must implement the system of contracted responsibilities and mobilize the masses to take part in construction.

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ECONOMIC MANAGEMENT

HUBEI ECONOMIC LEADERS SPEAK ON PLAN FULFILLMENT

HK130457 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 12 Sep 86

[Excerpts] Xiao Quantao, director of the provincial Planning Commission, spoke at the 23d meeting of the provincial People's Congress Standing Committee on 11 September. On the implementation of the economic and social development plan in the first 6 months of the year, he stressed that in fulfilling and overfulfilling the plan for 1986, it is essential to get a good grasp of the following tasks under the premise of perserving in reform, continuing to strengthen and improve macroeconomic management, and invigorating the enterprises:

1. Promote grain production, launch diversification, and ensure increased agricultural output and income this year.

2. Continue to readjust the production structure. Under the premise of improving economic results, it is necessary to maintain an appropriate growth rate in industry.

3. Continue to control the scale of investment in fixed assets and readjust the investment structure.

4. Further invigorate domestic and external trade.

On continuing to readjust the production structure, Sizo Quantao said based on the planning goals of maintaining a balanced budget and market stability, the year's industrial production plan has been readjusted from striving for 10.4 percent growth called for at the beginning of the year to ensuring 8 percent growth and striving for 9 percent. To ensure the fulfillment of the plans, we must focus on the following measures: Rationally organize industrial production to closely center around ensuring economic results and striving for good growth rate; invigorate the circulation channels and expand the sales of local industrial goods; and ease the shortages of capital, energy, and raw materials.

Xiao Quantao also stressed in his report: We must continue to control investment in fixed assets and invigorate domestic and external trade. In accordance with the demands recently put forward by the State Planning Commission, we must seriously take stock of projects under construction, strictly control new construction, and strengthen direction and management over medium and small projects and key provincial projects. Investment must be focused on renovating technology and equipment. We must make good arrangements for supplying the urban markets during [words indistinct] half of the year.

He Fulin, director of the provincial Finance Department, spoke at the same meeting yesterday on the implementation of the province's budget from January to July. He said that the focol points of Hubei's financial work in the last few months of the year are to vigorously increase revenue and ensure a balanced budget over the whole year.

He Fulin said: The province's financial revenue from January to July was 3,392,050,000 yuan, representing 58.24 percent of the year's plan. After making deductions for various factors, this shows a growth of 5.95 percent over the same period last year.

The current main problems are: Some main economic indices in industrial enterprises covered by the budget have not been fulfilled well enough; financial expenditure has grown too fast; and there are serious arrears of tax and profit.

On the work in the last few months of the year, He Fulin pointed out that the key to achieving a balanced budget over the whole year lies in grasping revenue. We must therefore help the enterprises to develop production and achieve the goal of ensuring 8 percent growth in output value while striving for 9 percent.

Apart from vigorously organizing revenue, we must also focus on cutting expenditure. We must ensure wages, welfare, and administrative charges while strictly controlling the scale and expenditure of capital construction, spending on purchases, spending on house repairs, and increases in office staff.

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CSO: 4006/007

SHAANXI PROVINCE HOLDS FINANCIAL WORK CONFERENCE

HK081546 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 7 Sep 86

[Text] The Provincial Financial Work Conference was held in Xian from 29 August to 7 September. The conference: Particularly discussed and studied tasks for the province's finance work in the last 4 months of this year; summed up and exchanged experience in establishing township level finance organs; discussed and formulated measures for correcting party style and rectifying trade malpractices in the province's finance and taxation system; and worked out plans and measures for developing financial and taxation education in the province during the Seventh 5-Year Plan period.

The provincial government proposed that the province should fulfill this year's 2.4 billion yuan financial revenue plan and ensure a balance is maintained between revenue and expenditure. The conference demanded that all prefectures, cities, and counties pay serious attention to their revenues and strive for higher growth rate and better economic results in production during the next few months. Financial authorities should not give subsidies to enterprises which suffered losses beyond state plans or suffered losses from their poor business management. Continuous efforts should be made to conduct in-depth examination of finance, taxation, and prices.

In order to strictly control expenditure, the conference assigned expenditure control targets to all prefectures, cities, and provincial departments, and proposed that all prefectures, cities, and counties should neither set up new administration organs nor expand the administration establishment. All projects and items not covered by state plans must be stopped immediately. It is prohibited to exceed the administration expenditure allocated for this year and the purchase control targets set for social groups. Cars and other controlled commodities purchased without approval should be confiscated.

The conference demands that provincial, prefectural, city, and county financial authorities maintain a balance in their revenues and expenditures and assume responsibility for this year's financial deficits. The provincial financial department will not give them subsidies.

The conference demanded that all prefectural, city, and county finance and taxation departments seriously investigate and deal with important and major cases and resolutely curb the malpractices of seeking private interest by taking advantage of power in the finance and taxation organs.

/8309
CSO: 4006/8

ECONOMIC MANAGEMENT

JILIN LATERAL ECONOMIC COOPERATION DEVELOPED

SK050226 Changchun Jilin Provincial Service in Mandarin 0930 GMT 4 Sep 86

[Text] New trends of development have taken shape in our province's lateral economic cooperation. From the beginning of this year to this date, another 1,130 enterprises throughout the province have joined lateral economic ties, making the total number more than 2,590. The forms of cooperation are varied, the content is rich, and economic results become more notable. Since the national and the provincial conferences on economic structural reform, lateral economic cooperation in our province has developed in both range and quality. Since the beginning of this year, a group of new conglomerations of enterprises and trades, such as machinery and auto industrial conglomerations, and the Jilin carbon industrial conglomeration, have emerged. Making the best of our province's superiority in commodity markets, some economic associations in Changchun, Tonghua and Liaoyuan cities have begun to import new, top-quality brand-name products from economically developed areas, such as Tianjin and Shanghai, expanding absorption-oriented cooperation. Cooperation characterized by stock sharing has also developed gradually. The Northeast China (Fuda) sensitive material joint corporation limited, and the Jilin ferroalloy plant and the Jilin City (Xiangcheng) ferroalloy plant of the (Hada) ferroalloy industrial conglomeration have all adopted the method of stock-sharing cooperation, making investment by buying stocks, and dividing profits according to stock. As of date, some dozen forms of lateral economic cooperation have been adopted throughout the province, the content of cooperation has developed from mutual-benefit merely through production to cooperation in manpower, financial and material resources, and in production, supply and marketing. Expanded lateral economic ties have facilitated the transfer of scientific and technological achievements, and the absorption of foreign funds, and have improved economic results. In this year alone, 370 scientific and technological achievements have been transferred, some 26.01 million yuan in foreign capital has been absorbed and used, and another some 480 million yuan in output value and 95 million yuan in taxes and profits have been created through lateral economic cooperation.

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CSO: 4006/8

QINGHAI, JIANGSU AGREE TO EXPAND ECONOMIC TIES

HK310704 Xining Qinghai Provincial Service in Mandarin 2230 GMT 28 Aug 86

[Text] The ceremony of signing an agreement on lateral economic ties by Qinghai Province and Jiangsu Province was held in Xining Guesthouse on 27 August. Both parties have agreed that Golmud City and Changzhou City, Huangyuan County and Nantong County, and Huangzhong County and Wujin County will form cooperative cities and counties.

During the fair, the representatives of Qinghai and Jiangsu Provinces extensively carried out exploration of and exchanged views on strengthening lateral economic ties and arrived at 56 resolutions [words indistinct]. Both parties have decided that in future, the two provinces should adhere to the principles of fostering the strong points and circumventing the weak points, of taking many forms, and of mutual benefit and develop lateral economic ties in an all-round way, at many levels, and through many channels. Our province will support Jiangsu Province as much as possible in the aspects of the special kind of rolled steel, nonferrous metals, livestock products, including sheep's wool, and raw materials for the chemical industry, Jiangsu Province has agreed on cooperation with our province in the development of high-energy consuming products, in the increase in the capacity for rolled steel, in the exploitation of fine hair resources, and in comprehensive utilization in petrochemical industry. It has also agreed on supporting our province to develop light industry, textile industry, electronics industry, building materials, [words indistinct] and pharmacy; to exploit mineral resources; and to exchange materials.

Jiangsu Province has declared that it will train qualified and teachers personnel for Qinghai Province in the aspects of education and public health and train technicians and management cadres for Qinghai in the aspects of industrial, agricultural, and livestock production and in sphere of commodity circulation. Jiangsu Province has also agreed on helping our province set up some production and construction projects in which investment is small, results are quick, and economic results good, and which the masses can easily do.

Leading comrades of the provincial government, including Song Ruixiang, Bian Yaowu, and Bainma Dandzin, attended the signing ceremony.

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CSO: 4006/8

ECONOMIC MANAGEMENT

QINGHAI URGES CUTTING SPENDING, BOOSTING REVENUE

HK130333 Xining Qinghai Provincial Service in Mandarin 2230 GMT 12 Sep 86

[Excerpts] A provincial financial work conference which concluded on 10 September demanded that the province cut expenditure on the basis of vigorously ortanizing revenue, and ensure a balanced budget this year. The meeting opened on 5 September. The participants seriously studied General Secretary Hu Yaobang's important instructions delivered on his second inspection of Qinghai. They studied methods of concentrated use of capital and measures for increasing revenue and economizing expenditure.

The meeting held that the province did relatively well in implementing its budget in the first 8 months of the year. However, the task of achieving a balanced budget over the whole year is still rather arduous. At present the province should focus on the following tasks:

1. The fiscal and taxation departments should actively work with the responsible departments and the enterprises in striving to improve product quality, lower input consumption and production costs, reduce stockpiles, speed up the circulation of capital, improve economic results, and increase revenue.

2. It is necessary to improve the management of taxation and vigorously organize revenue.

3. Continue to control the scale of capital construction, administrative and management expenditures, and the purchasing power of social groups.

/12232
CSO: 4006/007

ECONOMIC MANAGEMENT

STATE COUNCIL NOTICE ON MATERIAL MANAGEMENT

OW181023 Beijing XINHUA Domestic Service in Chinese 0711 GMT 17 Sep 86

[Text] Beijing, 17 September, (XINHUA)--In order to improve the management of materials earmarked for unified distribution and maintain the solemnity of the state's mandatory plans, the General Office of the State Council issued a notice on 9 September calling on all regions and departments to enforce the "Opinions on Improving the Management of Materials Earmarked for Unified Distribution" of the State Economic Commission [SEC], the State Planning Commission [SPC], and the State Bureau of Materials and Equipment [SBME]. The notice also pointed out that improving the management of materials earmarked for unified distribution is an important means to ensure the needs of the state's major production and construction projects, and to achieve overall economic stability.

Reportedly, in recent years, materials earmarked for unified distribution have not been properly allocated as planned, and contracts to fulfill the orders for such materials have not been fully honored. For example, in 1985 the orders of commodities such as steels, scrap iron and steel, and cement produced by large and medium size cement factories, as well as these five nonferrous metals —copper, aluminum, lead, zinc, tin—and lumber were not completely fulfilled as planned. Failures to fulfill the orders placed by the state were also fairly serious. The situation has not improved noticeably this year.

According to the SEC, the SPC and the SBME, the main reason behind the failures in allocating materials earmarked for unified distribution as planned and the poor performance in fulfilling orders of such materials are the following: Some enterprises do not fully understand the solemnity of the state's mandatory plans; the state lacks discipline as well as effective measures for supervising the implementation of these plans; and some enterprises do not have all the needed resources for producing raw and semifinished materials, and electricity, or for providing the needed transportation services.

To improve the management of materials earmarked for unified distribution, and with the State Council's approval, the SEC, the SPC, and the SBME have set forth these eight measures:

1. All regions, departments, and enterprises must strictly carry out the state's plan for the allocation of materials earmarked for unified distribution.

They must educate the vast number of cadres, workers, and staff members to head the interest of the whole, and regard the fulfillment of state plans as a glorious duty and the most important mission.

2. All enterprises which undertake the allocation of materials earmarked for unified distribution must accept orders strictly in accordance with plans. They must organize production according to the types of goods in demand, and honor all supply contracts. Only after an enterprise has fulfilled all allocation plans of the state, qualitatively and quantitatively on schedule, can it sell its products (not those products subject to special state control). In the case an enterprise sells its products without fulfilling its supply contract, the industrial and business administration departments will confiscate all the proceeds from such sales and turn them over the the state treasury.

3. While drawing up production plans, the state must ensure an overall balance among them, and give enterprises, especially the large and medium-size ones, an appropriate leeway for above-quota production. In accordance with the plans handed down by the state, all responsible and local authorities must see to it that major raw and semifinished materials, fueld, and electric power needed by enterprises for fulfilling their mandatory production plans are met. Enterprises must make allout efforts to fulfill their mandatory production plans. Should they have any major problems, all the relevant responsible departments and local authorities should earnestly help solve them. If the problems cannot be solved, they must be promptly reported to the SEC, and SPC, and the SBME.

4. Should an enterprise have a shortage of raw and semifinished materials or fuel and have to purchase them at negotiated prices in order to fulfill the state's mandatory plans, the extra expenses shall be handled in accordancd with the "Provisional Regulations Concerning Some Problems in Reinvigorating Large and Medium-Size State Enterprises" drawn up by the SEC and the State Commission for Restructuring the Economic System and Approved by the State Council in 1985.

5. Before orders are placed, the State Administration of Commodity Prices, the SBME, and departments in charge of production should, according to supply and demand, set fluctuating prices for some commodities on the premise that the general price level remain unchanged.

6. Transportation and communications departments must guarantee services for delivering the materials needed by mandatory production plans. Transport facilities for delivering materials needed by projects planned by the state should not be taken over for delivering materials for projects not included in state plans.

7. An enterprise's ability to deliver materials earmarked for unified distribution, qualitatively and quantitively on schedule, and its ability to fulfill supply contracts will serve as important criteria for evaluating its performance, which will also be tied with the amount of bonuses available to it.

8. Strengthen supervision and enforce economic discipline. The SEC, the SPC, and relevant departments must strictly supervise an enterprise's performance in allocating materials earmarked for unified distribution and in fulfilling its

supply contracts. The SBME should issue a quarterly report on every enterprise's performance in allocating materials earmarked for unified distribution and in honoring their supply contracts. Those enterprises, departments, and regions that have completed their allocation projects shall be commended and rewarded, and those which fail to do so without a justifiable cause shall have the responsibilities of themselves and their responsible departments investigated. Depending on the seriousness of their cases, penalties for them will include suspension of bonuses, partial deduction of wages, or administrative punishments. They will also be required to make up for any shortages of materials within a [words indistinct] time.

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CSO: 4006/007

ECONOMIC MANAGEMENT

BRIEFS

SICHUAN AUDITING CHIEF ON ACHIEVEMENTS--The provincial association of journalists and the provincial auditing bureau held a joint press briefing on the work of the auditing bureau in Chengdu on 4 September. (Ji Fuchang), director of the bureau, reviewed and stressed the importance of auditing work. He said: In the past 3 years the auditing organs in the province have worked hard to serve opening up, enlivenment, and reform, and the delegation of powers. During these 3 years, 4,480 units have been audited, and 540 million yuan in unlawful funds have been unearthed, of which 147 million yuan have now been turned over to the financial authorities, thereby increasing state revenue. The bureau has thus made contributions to upholding fiscal and economic discipline, strengthening macroeconomic controls, and invigorating the province's economy. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 4 Sep 86] /8309

XINJIANG CONFERENCE ON PRODUCTION--Yesterday afternoon, the regional economic commission held a conference on making arrangements for production, demanding that all industrial and communications enterprises throughout Xinjiang deeply tap production potential, strengthen links between production and marketing, and strive to fulfill their quotas for production for the whole year. According to statistics, the gross industrial output value of the whole region in August was 645 million yuan, an increase of 10.63 percent over the same period last year, but the monthly quota was not fulfilled. Problems such as a high consumption of materials and the overstocking of some products have not been solved. The conference pointed out that less than 4 months are left in this year. To completely fulfill our quotas for industrial production, our tasks are very arduous. All prefectures, cities, departments, and enterprises must quickly organize the personnel concerned to seriously analyze the situation in production, discover the key problems which affect production, penetratingly and meticulously study measures for production, readjust the product mix, and vigorously produce marketable products.

COOPERATION AMONG PROVINCES URGED--Beijing, September 13 (XINHUA)--Location, raw materials and tourism make economic cooperation between Beijing, Tianjin and Hebei Province essential. Scientists from these three areas gathered here to study the possibility of economic cooperation urged enterprises to override administrative divisions and cooperate further to boost commodity production. With rapid economic development in recent years, enterprises in the two municipalities and Hebei Province have voluntarily made economic and technical contacts, with more possibilities under negotiation. All rich in iron ore, coal, oil and gas, Beijing, Tianjin and Hebei Province are linked by adequate transportation lines to facilitate the movement of raw materials. The scientists suggested that Beijing, Tianjin and Hebei Province should further break up the limits of the administration divisions, and take advantage of each other's expertise and develop productive economic relationships. [Text] [Beijing XINHUA in English 1011 GMT 13 Sep 86] /8309

ASSESSMENT OF CONSTRUCTION PROJECTS--Beijing, September 12 (XINHUA)--China has started assessing key capital construction projects fully or partly completed in order to better direct investment and construction, according to the State Planning Commission. In the past, the tendency was to pay attention to feasibility studies of a project before construction started, while neglecting the assessment work when it is completed, an official from the commission told XINHUA today. In the past six months the commission has sent special groups to assess several national key capital construction projects, including a power plant in Zhejiang Province, a coal terminal in Hebei, a railway in Shandong and a project to upgrade the urban telephone system in Beijing. They have made systematic analyses and assessments of these projects from different aspects, such as decision-making, planning, choice of location, designing, construction, management and economic efficiency. The investigations have found, for instance, that Beijing has completed the installation of 28,000 out of a planned 100,000 lines of improved urban telephone communications in the past two years, but only 1,000 of these lines have been hooked up to the end-users so far because of delays. So, the examination group has suggested improvements, the commission official said. [Text] [Beijing XINHUA in English 1421 GMT 12 Sep 86] /8309

ANHUI GOVERNOR AT INDUSTRIAL MEETING--On the evening of 3 September, the provincial government held a telephone conference on mobilizing the departments concerned and commercial enterprises at all levels to take energetic steps and make positive arrangements to supply rural areas with industrial products in order to meet the peasants' needs in the wake of a bumper harvest. Governor Wang Yuzhao and Vice Govervor Song Ming attended the conference and made speeches. As stressed by Governor Wang and Vice Governor Song, it is necessary to delegate greater power to state-owned wholesale enterprises and large and medium-sized enterprises and see to it that the contracted operational responsibility system is carried out successfully within such enterprises. Further steps should be taken toward removing control over small enterprises. Positive efforts should be made to develop collective businesses and individually owned stores and to protect their legal rights and interests. Only when these enterprises are operating vigorously can the market be brisk. In sum, it is necessary to pool the efforts of all state-owned, collective, and individually owned enterprises so as to supply more industrial products to the countryside. At the conference, representatives from Chuxian Prefecture and Bengbu City stated their experience in supplying industrial products to their rural areas. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1000 GMT 6 Sep 86 OW] /12232

CSO: 4006/007

FINANCE AND BANKING

SHANGHAI EXPANDS ROLE AS FINANCIAL CENTER

OW141315 Beijing XINHUA in English 0905 GMT 14 Sep 86

[Text] Shanghai, September 14 (XINHUA)--China's largest industrial city of Shanghai is intensifying its role as the country's financial center by extending its financial tentacles to all parts of the country.

Over the past two years, according to the city's banking official, banks based in the city have carried out accommodation activities with banking organizations in a score of provinces, municipalities, and autonomous regions to facilitate the city's efforts to develop inter-enterprise cooperation with other parts of China. The activities included issuing interbank loans, trust and investment business and leasing.

The Shanghai branch of the Agricultural Bank of China has over the past two years lent 299 million yuan to financial organizations in 22 cities and counties in Jiangsu, Zhejiang and Hubei. The Shanghai branch of the Industrial and Commercial Bank of China lent out 60 million yuan last year and another 41 million this year.

The Industrial and Commercial Bank and the Construction Bank of China actively support Shanghai enterprises to invest elsewhere by issuing them loans. With the loans, many enterprises have extended its cooperation far out to such economically underdeveloped but resource-rich regions as Yunnan, Guizhou, Sichuan, Inner-Mongolia and Heilongjiang and got an endless supplies of cement, steel, paper, woolen fabrics and aquatic products in return.

Leasing has also become a major instrument for Shanghai banks to support enterprises in their effort to develop lateral ties. At the same time, the city's banks have diversified modes of settling accounts and credit instruments, including acceptance and discount of commercial bills.

All major Chinese banks have their subsidiaries in the city and many international banks have representative offices in the city, which aims at becoming a financial center not only for China but also for Southeast Asia, the banking official said.

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CSO: 4020/4

FINANCE AND BANKING

XINHUA: DAILY VIEWS FUNCTIONING OF PRC BOND MARKET

LD161543 Beijing XINHUA in English 1222 GMT 16 Sep 86

[Text] Beijing, September 16 (XINHUA)--China's first bond market since the 1949 liberation has prospered since it opened a month ago in Shenyang in northeast China.

But, according to a report in today's ECONOMIC DAILY, it has also sparked a burst of trading outside official channels.

Run by the Shenyang Trust and Investment Corporation, the city exchange charges a commission of between 0.4 and 2 percent of each bond's face value, depending on the exchange's involvement in the sale.

In its first ten days, the market brokered nearly 200 bonds a day. "It was a smooth opening," said one official.

The market originated from the practise of some enterprises selling bonds to raise money for their own technical renovation. Over the past one and half years, the paper said, 290 million yuan were raised by 277 enterprises in this way.

The city government, on its own part, stepped in to set up an official market to ensure a "healthy development" of this new economic trend, the official said.

Authorities have noticed that paralleling their bond exchange, individuals began buying and selling bonds on their own.

"Some officials were so distressed at this that they suggested to ban the activities," the paper said. But city leaders decided to leave the private market alone.

"It's an inevitable outcome of the official exchange," the paper quoted one senior leader as saying of the individual trading.

"A lot of people live far away from the city market or find it inconvenient to go there during business hours," he said. "The private exchanges can supplement the official market."

Private transactions will "challenge, not hurt" the official market, he said. "The competition will stimulate the city exchange to improve its service and management."

By opening the market, the paper said, Shenyang has been a pioneer, trying to run a bond market within a socialist system.

Economists studying the Shenyang experiment say it will not be long before the bond market is followed by new China's first stock exchange and even private brokers.

The ECONOMIC DAILY said the people of Shenyang were participating in a "breakthrough experiment in financial reform."

But, the paper warned, "It would not be wise to copy it uncritically elsewhere."

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CSO: 4020/4

FINANCE AND BANKING

XIZANG CONFERENCE ON FINANCE, TAXATION, CONSTRUCTION BANKS

HK120137 Lhasa Xizang Regional Service in Mandarin 1130 GMT 10 Sep 86

[Excerpts] The regional conference on finance, taxation, and construction banks concluded on 6 September. The conference proposed the following tasks to be carried out in the 4th quarter of this year in order to ensure the fulfillment of this year's task for financial revenue.

1. Financial and taxation departments and construction banks in all localities must, according to the region's circumstances, supervise and support the implementation of plans in all fields and the development of education.

2. We must improve tax collecting and strive to fulfill the task of tax collection more completely.

3. Efforts should be made to firmly grasp the work of turning enterprises' losses into profits.

4. It is necessary to strictly control and reduce expenditures of capital construction projects.

5. It is necessary to greatly reduce administration expenses and strictly control the purchasing power of social groups.

6. It is necessary to conduct financial and taxation inspection. Cases in violation of financial discipline must be seriously dealt with according to their different circumstances.

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CSO: 4006/8

FINANCE AND BANKING

SHANDONG HOLDS MEETING OF PEOPLE'S BANK DIRECTORS

SK130126 Jinan Shandong Provincial Service in Mandarin 2200 GMT 11 Sep 86

[Text] At an 11 September provincial meeting of People's Bank directors, Governor Li Changan stressed: Banking departments at all levels should think over problems and formulate policy decisions based on financial work, with the overall situation in mind, and within the strategic perspective of economic development in order to enliven financial work and provide a good environment in money credit for economic reform. First of all, it is necessary to enhance the sense of development of a planned commodity economy.

Comrade Li Changan continued: Carrying out a planned commodity economy represents a major breakthrough in traditional ideas, and will unavoidably lead to a reform in the management of banks. This requires banks to free themselves from the shackles of the ideas of monopoly and small-scale economic management, change the practice of [words indistinct] carried out for many years under mandatory plans and the material management system, regulate economic activities flexibly with the means of money credit, and actively serve the development of the commodity economy.

Second, efforts should be made to enliven financial work on the condition of the macroeconomic control. Instead of waiting for red-letter documents from higher levels in implementing policies, we should resolutely carry out measures for enlivening financial work, which have already been or are being carried out, or for which plans are being made, as long as they are conducvie to our province's economic and financial development. We should persistently carry out these measures until results are achieved.

Third, favorable conditions should be actively created for opening of the money market. At present, we should mainly open the market for various specialized banks to borrow or lend money, the discount market for processing commercial credit bills, and the stock market.

Fourth, through intensified financial research, improvement of cadres' competence, and strengthened technological means, we should gradually establish a modern management system with scientific methods, easily accessible information, and good economic results, which provides convenience to clients, so support and coordinated economic development more successfully.

Fifth, on the principle that all departments, having the overall situation in kind, are assigned responsibility and take the initiative in working coordinately and serving the grassroots units, various specialized banks and insurance companies, led by the people's banks, should fully perform their functions and responsibilities, work in coordination, play their role as a financial entity, and make active contributions to revitalizing Shandong's economy.

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CSO: 4006/007

BRIEFS

EXPANDED FOREIGN TRADE INSURANCE--Dalian, September 4 (XINHUA)--About one-third of export goods being shipped from Dalian, a major port in northeast China, are now being insured by the Dalian branch of the People's Insurance Company of China. An official from the branch told XINHUA today that the city's total trade volume with foreign countries reached five billion U.S. dollars last year. The goods being insured increased from 14 percent in 1983 to 33 percent in 1985. The company has opened more than 70 policies for foreign business people, which cover life and property losses, foreign investment, and off-shore oil exploration. It has insured more than 50 foreign-financed projects including some branch offices of foreign banks and firms in Dalian. The company has also established business contacts with insurance agencies of more than 120 countries and regions which helped the Dalian company solve business conflicts. Most claims for damages can be handled within one week and complicated cases in no more than a month, the official said. [Text] [Beijing XINHUA in English 0815 GMT 4 Sep 86] /8309

INDEPENDENT FINANCIAL CENTERS IN SHANGHAI--Shanghai September 4 (XINHUA)--Several independent financial centers have been set up in Shanghai during the past year to supplement state-run banks and diversify the banking industry. "This practice was not allowed in the past," said Yao Shanyan, a leader for the financial center of the textile industry. "We are trying to open a new market to assist the state banks by improving currency flow, and providing simpler and more flexible services." Because the independent centers pay a higher interest rate on deposits and provide low-interest loans, experts believe the centers will eventually overshadow official banks. Occasionally, the centers have even made loans to official banks. Experts who advocate a reform in the financial system predict that the establishment of these centers will lead to a unification of financial and industrial capitals. They also believe that the final goal of the reform is to form a more rational financial market and resume Shanghai's previous position as the financial center of the country. [Text] [Beijing XINHUA in English 1341 GMT 4 Sep 86] /8309

CAPITAL MARKET TRANSACTIONS--The Municipal Industrial and Commercial Bank's short-term capital market held its second round of transactions on 4 September. Wu Bangguo, deputy secretary of the municipal party committee, and Hu Lijiao, chairman of the municipal people's congress Standing Committee, inspected the transactions. The total volume of transactions on 4 September reached 115 million yuan, and the term for loan payments ranged from 7 days to 5 months. Comrade Hu Lijiao urged the comrades from banking circles to improve the capital market to enable it to cope with the needs of the commodity market and establish a capital market system during the Seventh 5-Year Plan. Comrade Wu Bangguo called on banks to hold lecture meetings to disseminate financial knowledge. [Text] [Shanghai City Service in Mandarin 0000 GMT 5 Sep 86] /8309

CSO: 4006/8

INDUSTRY

PHENOMENAL CHANGES IN CHINA'S TEXTILE INDUSTRY

Chengde JINGJI XIAOXI in Chinese 4 Apr 86 p 5

[Article: "Phenomenal Changes in China's Textile Industry During Sixth 5-Year Plan"]

[Text] China's textile industry underwent phenomenal changes during the Sixth 5-Year Plan. The system of cloth rationing which had been in force for 30 years was abolished, and there are now liberal supplies of cotton textile products throughout the country. This indicates that the principal contradiction between supply and demand in terms of quantity has gradually changed into one in terms of quality and variety to suit the market demand. The emphasis on speed, output, and larger productive capacity has been shifted on to quality, economic results, and technical transformation, thus encouraging the enterprises to change from being solely engaged in production to undertaking both production and business operations.

In 1985, the GVIO in the Chinese textile sector reached 87.5 billion yuan, a 49 percent increase over 1980, while per capita consumption of fabrics of various types totaled 53.4 meters, an increase of 11 meters, 26 percent over the 42.4 meters in the previous 5 years, including 21 meters, a 1.5-fold increase, of cotton textile and pure chemical fiber fabrics.

The textile industry has readjusted its product mix to suit the change in the consumption pattern. The proportion of high- and medium-grade products which are selling well on the market has been increased. In 1985, the output of woolen piece goods was 200 million meters, doubling that of 1980; that of woolen yarns and woolen blankets, 110,000 tons and 19.5 million sheets, 93 percent and 1.2-fold that of 1980 respectively; that of polyester plush knitwears, 110,000 tons, a 4.2-fold increase; and that of ramie products, more than 50 million meters, a 1.5-fold increase. At the same time, many modified chemical fiber products, such as high-density waterproof fabrics, orlon resilient denim, velvet, artificial fur, and the specially finished products that are shrinkage-resistant, crease-resistant, noninflammable, static-resistant and coated, are gradually hitting the market.

During the Sixth 5-Year Plan, the amount of foreign exchange earned through textile exports was increased from $2.56 billion in 1980 to $4.1 billion in 1985, a 60 percent increase. If silk exports were also taken into account, then the foreign exchanged earned by textile products would amount to $21.7 billion, 19 percent of the total foreign exchange earnings in China during the same period. It ranked second only to petroleum in the country. The value of China's textile exports now ranks eighth in the world.

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CSO: 4006/959

INDUSTRY

SHAANXI GOVERNOR REVIEWS INDUSTRIAL PROBLEMS

HK140223 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 14 Sep 86

[Excerpts] Shaanxi Governor Li Qingwei spoke on industrial production at a recent executive meeting of the provincial government. He called on the province to make all-out efforts, organize things carefully, and strive to fulfill and [word indistinct] this year's production plans.

Li Qingwei said: The province's industrial performance from January to August was good. Although the growth rate was not ideal, the development of light and heavy industrial production was relatively well coordinated, and the progress of capital construction and technological transformation was smooth. Industrial exports set a new record. Taxes and profits delivered to the state by the enterprises showed a comparatively big increase over the same period last year. In particular, every prefecture and city recorded good increases.

However, due to the fact that industrial output during the period did not meet the growth rate required by the plan, we must work hard in order to fulfill the plans for the whole year. We must have an appropriate growth rate. We must attain a growth rate that can be attained, provided that the effort is kade. The leadership must be held accountable in cases of failure to fulfill production plans without sufficient reason.

Comrade Li Qingwei stressed that in grasping current industrial production, it is first essential to unswervingly implement the plant manager responsibility system. The powers that should be delegated must be resolutely delegated. The upper-level leading organs must make allowances for the enterprises' and managers' difficulties and do everything possible to serve the enterprises and help them solve some practical problems.

Second, we must further strengthen direction over production and work in coordination to solve outstanding problems in production.

Third, we must further mobilize the enterprises' initiative in production. The provincial departments concerned should adopt a number of flexible measures in prices, material supply, taxation, bonus payments and so on.

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CSO: 4006/007

INDUSTRY

CITY OF WENZHOU SEEN AS 'MODEL' IN HOUSEHOLD INDUSTRY

OW091408 Beijing XINHUA in English 0636 GMT 9 Sep 86

["Household Industry--A Way Leading to Prosperity"--XINHUA headline]

[Text] Hangzhou, September 9 (XINHUA)--The production of small household wares such as buttons, hair pins and business cards has helped lift millions of suburban peasants out of poverty in the city of Wenzhou in Zhejiang Province.

It began as an experiment with family run enterprises eight years ago and has since raised the standard of living of almost six million peasants who live on the outskirts of Wenzhou.

The city's mayor, Lu Shenliang, says the idea of the experiment was to transform the peasant economy from mainly agricultural to commodity production. The transformation has been so successful economists call the project the "Wenzhou model" and it's being applied in other poor and backward areas.

"The core of the model, which appeared after implementation of the flexible policy in the countryside, is to promote the transition from a small-scale peasant economy to a commodity based economy," Mayor Lu said.

Since 1978, when rural reform began, the number of household workshops has mushroomed in the Wenzhou suburban areas. Last year 130,000 of these workshops accounted for one-third of the city's industrial output. Today the economy of the outskirts of Wenzhou produces almost four times as much as it did before the reforms where implemented up from 660 million yuan (178 million U.S. dollars) to 2.53 billion yuan (683 million U.S. dollars).

The way people earn their living has also changed dramatically. Now 1.3 million peasants, or 60 percent of the local labor force work in industry and other trades.

All this has been good for the family budget as well. The average per capita income has shot up almost eight times, from just 55 yuan (14 U.S. dollars) in 1978 to 417 (112 U.S. dollars) in 1985. One-third of the peasants earn more than 1,000 yuan (270 U.S. dollars), which exceeds the salaries of office staff and workers in state-owned factories.

To cope with the growth of household industries, the city has established 415 peasant markets and 66,800 shops and stands, the most among China's 58 cities experimenting with economic reform.

The tremendous changes in Wenzhou have aroused nationwide interest. Over the past few years, more than 10,000 officials from central government and other parts of the country have visited the city. A seminar on the "Wenzhou model" was held in the city earlier this year. Now, the central authorities are encouraging more individual undertakings and plan further reforms in industry, commerce, and taxation based on the Wenzhou model.

The Wenzhou model--characteristic of household industry--differs from the model practised in the developed southern Jiangsu Province and the Pearl River Delta in Guangdong Province, said Zheng Dajiong, an official of the city's policy research office. In those places rural industry is also flourishing but based on collective management.

Farmland in Wenzhou averages only 0.03 hectares per person, half the figure for southern Jiangsu and the Pearl River Delta. As a result, handicraft has a long tradition in the city and local peasants were customed to do business.

The state and collective economy in Wenzhou was so weak in 1978 that the average per capita fixed assets accounted for only 28 percent of the provincial figure.

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CSO: 4020/4

INDUSTRY

TIANJIN'S FIRST LIGHT INDUSTRY TO EXPORT MORE PRODUCTS

Beijing ZHONGGUO QINGGONGYE BAO in Chinese 4 Apr 86 p 5

[Article by Ding Liang [0002 0081]: "Twenty Major Products of Tianjin's First Light Industry Oriented to International Market"]

[Text] While the meeting of directors of the bureaus and departments of Tianjin's light industry sector was in session, Zhang Shiyong [1728 1102 0516], director of Tianjin Municipal First Light Industry Bureau, gave our correspondent an interview in the guest house and talked at some length about his plans to expand exports in the next 5 years. He said: During the Seventh 5-Year Plan period, the foreign exchange earned through exports by Tianjin's first light industry sector should be increased at a progressive rate of 36 percent each year, so that in 1990, these earnings should reach $360 million, a 3.7-fold increase over 1985.

He continued: During the Sixth 5-Year Plan, Tianjin's first light industry sector has changed its mode of operation from that of production only to that of production and business dealings combined. It will go further in this direction during the Seventh 5-year Plan so that the overall economic structure will changed from that of a home-oriented to that of a foreign-oriented type and more foreign exchange could be earned for the state. He said: Tianjin's present earnings from exports are some $78 million, only 8 percent of the total exports procurement value. This is not commensurable with the position occupied by Tianjin's light industry in the country. He cited the following facts to support the strategic shift: the many traditional export products, such as " Changcheng" canned food, Red Rose" food condiment, " Seagull" wrist watches, and "Xiangyang" printing ink, which are enjoying fairly good reputations in the foreign markets; a fairly strong technological force; the potential in management and the possibility to increase the competitive power of products as long as attention is paid to the improvement of quality and the reduction of production cost; the many sets of advanced equipment and technologies imported several years ago and the marked rise in the standards of technology, techniques and equipment; and the series of export policies formulated by the state to promote exports by arousing the enthusiasm of enterprises and workers.

The bureau director pointed out: The key to the expansion of exports lies in the marketability of products. In the future, we should concentrate on efforts on developing the four major trades--namely, foodstuffs, durable consumer goods, intensive chemicals and packaging--and updating and upgrading the 20 major products of these trades, including canned goods, condiments, citric acid, printing ink, wrist watches, quartz clocks, bicycles, light sensitive materials, detergents, cosmetics, high-grade paper, and glassware. He said: First, we must upgrade the bicycles, quartz clocks and glassware. Second, we must increase the competitive power of wrist watches, canned goods, condiments, citric acid and paper in order to boost our exports. Third, a number of high-grade products, such as multifunctional quartz clocks, computer paper, highly nutritious foods, industrial sewing machines, and motor cars should be developed. Fourth, the Tianjin Bicycle Plant and the No 2 Bicycle Plant should be combined for the production of "Flying Pigeon" bicycles, while the Tianjin Wrist Watch Plant and the Tianjin Clock and Watch Plant should be combined for the production of "Seagull" ladies' watches. These four enterprises will then combine to form an export base. Later, the Tianjin Canned Food Plant, the Tianjin Spice Plant and the Tianjin No 1 Spice Plant will also combine to form an export base.

He also mentioned the building of a materials base for the paper-making and food trades and combination with fraternal provinces and regions. He said: The main way to develop production is to readjust the product mix and the enterprise lineup within the industry, to take the road of specialization and cooperation, and to eliminate enterprises that are "large and complete." To develop the four major trades, integrated bodies should be formed to facilitate mutual support. We should also fully utilize the geographical advantages of the five counties under the jurisdiction of the municipality by farming out the processing of spareparts and accessories to the town and township enterprises which will provide factory buildings in exchange for advanced equipment and technologies.

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CSO: 4006/959

BRIEFS

TEXTILE DEVELOPMENT TRENDS--Along with the scientific and technological achievements in recent years, the textile industry is now developing in seven different directions. First, because of the rapid development of chemical fibers which have overtaken natural fibers in terms of quantity, their varieties will become more diversified and their functions will be more highly specialized. Examples can be found in color-changing fabrics, surgical gauze, sterilized linen and heat-resistant fabrics. Second, natural fibers as garment materials are being replaced by chemical fibers. Third, many chemical fibers can bypass the spinning factory and directly enter the weaving factory, and the textile industry is developing in the direction of shorter processes. Fourth, there will be no spindles for spinning, no shuttles for weaving, no water for design-printing, no scissors for tailoring, and no thread for sewing according to the trend of development. Fifth, textile products are developing in the direction of decoration, tourism, and industrial utility. Sixth, garments are now produced in smaller lots of more different varieties according to fast-changing vogues in shorter cycles. Seven, the use of electronic computers will help the textile industry develop in the direction of management based on information, and of automation in production, testing and control. [Text] [Chengde JINGJI XIAOXI in Chinese 4 Apr 86 p 5] 9411

CSO: 4006/959

LABOR AND WAGES

SHAANXI VICE GOVERNOR URGES POOR AREAS TO EXPORT LABOR

HK050505 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 4 Sep 86

[Text] According to Jingji Cankao, in a recent talk Vice Governor Xu Shanlin pointed out that poor mountain areas should send more laborers to work elsewhere. This is a way to eliminate poverty and enrich the people.

Xu Shanlin said that as seen from what has been done over the past few years, exporting labor services can benefit poor mountain areas in five fields.

1. It can find a way out for the surplus labor force in mountain areas.

2. A large number of laborers working elsewhere can alleviate pressure on mountain areas in grain supply. Mountain areas can allocate some steep hilly land for developing famous and special products.

3. It can increase peasants' income.

4. It can train a large number of rural management executives and technicians.

5. It can promote the building of spiritual civilization and help to upgrade the quality of the population in mountain areas.

Xu Shanlin suggested that some poor mountainous counties treat exporting labor service as an important measure to eliminate poverty and firmly grasp it. All counties must make arrangements for peasants working elsewhere, give them proper training, and regularly visit them to help them solve problems.

/8309
CSO: 4006/8

LABOR AND WAGES

REGULATIONS GOVERNING UNEMPLOYMENT INSURANCE

OW111325 Beijing XINHUA Domestic Service in Chinese 0618 GMT 9 Sep 86

[Text] Beijing, 9 Sep (XINHUA)--Provisional Regulations Government Unemployment Insurance for State-Owned Enterprises (Promulgated by the State Council on 12 July 1986)

Chapter I. General Principles

Article 1. These regulations are formulated in order to meet the requirements of the reform of the labor system, promote the rational mobility of labor forces, and guarantee basic living expenses for workers of state-owned enterprises (hereafter referred to as enterprises) while they are unemployed.

Article 2. These regulations are applicable to:

1) Workers of bankrupt enterprises;

2) Workers laid off by near-bankrupt enterprises undergoing statutory consolidation;

3) Workers whose enterprises have ceased to exist and workers whose contracts have been terminated; and

4) Workers laid off by enterprises.

Chapter II. The Raising and Management of Workers' Unemployment Insurance Funds

Article 3. The sources of workers' unemployment insurance funds are:

1) The enterprise contributes 1 percent of its total basic payroll (before income tax is deducted) to the unemployment insurance fund;

2) The interest paid by the bank in accordance with state regulations for deposited unemployment insurance funds; and

3) Subsidies from local treasuries.

Article 4. The workers' unemployment insurance fund is administered by the province, autonomous region, or municipality under a unified plan. The local treasury shall subsidize it when the fund is inadequate.

The Ministry of Labor and Personnel and the Ministry of Finance shall cooperate in drawing up the budget and final accounts of the unemployment insurance fund and in working out financial management measures.

Article 5. The unemployment insurance fund is deducted monthly by the bank from the enterprise's account for transfer to the special workers' unemployment insurance fund" bank account set by the city or county organization in charge of providing relief to unemployed workers.

Chapter III. The Use of Workers' Unemployment Funds

Article 6. Expenditures of the workers' unemployment fund are:

1) Insurance payments to workers of bankrupt enterprises and to laid-off workers of near-bankrupt enterprises undergoing statutory consolidation;

2) Medical expenses, funeral allowances, pensions for the bereaved family, and relief provided to workers of bankrupt enterprises and laid-off workers of near-bankrupt enterprises undergoing statutory consolidation;

3) Pensions for workers of bankrupt enterprises and for laid-off workers of near-bankrupt enterprises undergoing statutory consolidation who are qualified for retirement;

4) Insurance payments and medical allowances for workers dismissed by enterprises and workers with contracts terminated during the period when they are unemployed;

5) Job-training expenses for unemployed workers;

6) Expenses for helping unemployed workers provide for themselves by engaging in production; and

7) Expenses for administering unemployed workers and managing the unemployment insurance fund.

Article 7. Using the average monthly standard wage during the last 2 years of the workers' employment at the enterprise as the base figure, insurance payment is issued in accordance with the following provisions:

1) Insurance payments shall be paid, for a maximum period of 2 years, to workers of 5 years' standing or more after the enterprise is declared bankrupt, and to laid-off workers of 5 years' standing or more after the statutory consolidation of the near-bankrupt enterprise is completed. The unemployed worker shall be provided 60 to 75 percent of his standard wage during the first 12 months, and 50 percent of his standard wage during the second 12 months. Workers of less than 5 years' standing shall receive insurance payments of 60 to 75 percent of their standard wage for a maximum period of 12 months.

2) Workers who have their contracts terminated shall receive insurance payments for the period specified in Clause 1 of this article less the number of months they have been paid living allowances.

3) Workers dismissed by enterprises shall receive insurance payments in accordance with Clause 1 of this article.

Article 8. Pensions shall be paid to workers of bankrupt enterprises and to laid-off workers of near-bankrupt enterprises undergoing statutory consolidation who are qualified for retirement in accordance with the following measures:

1) In areas where a unified social pension system exists before a social security system is established, pensions shall be handled in accordance with the unified system; in areas where such a system does not exist, pensions shall be paid, for the time being, from the unemployment insurance fund in accordance with existing standards.

2) Pensions for workers who will reach legal retirement age in less than 5 years and will meet the requirements for retirement while unemployed shall be handled in accordance with Clause 1 of this article. Those already receiving pensions shall not receive insurance payments.

Article 9. Insurance payments shall stop under any of the following circumstances:

1) Those who exceed the time limit for receiving insurance payments as stipulated in Clause 1 of Article 7 (among them, those qualified to receive social relief shall receive it in accordance with relevant regulations);

2) Those who have found new jobs (including self-employed labor services);

3) Those who have without justification, twice refused to take a job recommended by the relevant departments; and

4) Those who have undergone reeducation through labor or received criminal punishment while unemployed.

Article 10. Those who have acquired insurance payments through illegal means shall have all their illegally acquired insurance payments retrieved.

Article 11. While ensuring that the workers' unemployment insurance fund is used for the purposes stipulated in Clauses 1-4 of Article 7, it also can be used to provide job training for transferred workers, build training facilities, help unemployed workers provide for themselves by engaging in production, and open up new avenues for employment.

Chapter IV. Administrative Organs

Article 12. Labor service companies affiliated to local labor administrative departments are responsible for administering unemployed workers and unemployment insurance funds. Their responsibilities are:

1) To register and maintain files of unemployed workers and to organize administrative work;

2) To manage and make workers' unemployment insurance payments;

3) To guide and help unemployed workers find jobs; and

4) To organize job training for transferred workers, help and guide unemployed workers to provide for themselves by engaging in production, and help them search for jobs on their own.

Article 13. Local labor service companies shall set up special organs or assign full-time management personnel to administer unemployed workers and the unemployment insurance fund. The provincial, autonomous regional, or municipal government shall, in line with the principle of streamlining, include these personnel in their staff. Their expenses shall be regarded as administrative expenses of the workers' unemployment insurance fund.

Chapter V. Supplementary Provisions

Article 14. The provincial, autonomous regional, or municipal government may formulate rules for the implementation of these regulations and submit them to the Ministry of Labor and Personnel for the record.

Article 15. The Ministry of Labor and Personnel is responsible for interpreting these regulations.

Article 16. These regulations shall go into effect on 1 October 1986.

/8309
CSO: 4006/8

LABOR AND WAGES

REGULATIONS ON DISMISSAL OF ENTERPRISE WORKERS

OW111405 Beijing XINHUA Domestic Service in Chinese 0639 GMT 9 Sep 86

[Text] Beijing, 9 Sep (XINHUA)--Provisional Regulations Governing the Dismissal of Undisciplined Staff and Workers of State Enterprises

(Promulgated by the State Council on 12 July 1986)

Article 1. These regulations are laid down in order to strengthen the working discipline of state enterprises (hereafter referred to as enterprises), improve the proficiency of staff and workers, heighten the vitality of enterprises, and accelerate socialist construction.

Article 2. An enterprise may dismiss those staff or workers who, after being educated or subjected to administrative disciplinary measures, continue behaving in one of the following ways:

1) They seriously violate working discipline, and interfere with production and work order;

2) They violate operational procedures and damage production equipment or tools; they waste raw and semifinished materials, or energy, causing economic losses;

3) They have a poor service attitude, constantly quarrel with customers, or hurt customers' interests;

4) They disobey normal transfers;

5) They are engaged in such offenses as graft, theft, gambling, and malpractices for selfish gains not punishable by criminal law;

6) They seriously disrupt social order by deliberately making trouble and engaging in fistfights;

7) They commit other serious mistakes.

The staff and workers who merit dismissal shall be handled in accordance with the "Regulations Governing Awards and Punishments for Staff and Workers of Enterprises."

Article 3. In dismissing a staff member or worker, an enterprise should solicit the opinion of the enterprise trade union, and report to the department in charge of the enterprise and the local labor and personnel department for the record.

Article 4. An enterprise should issue a certificate of dismissal to the dismissed staff member or worker. With this certificate, the dismissed staff member or worker may register with the labor department in the locality where his household registration was made, and apply for a job.

The management of the dismissed staff member or worker, and the issuance of relief funds and medical subsidies to him while unemployed, shall be handled in accordance with the "Provisional Regulations Government Insurance for Staff and Workers Awaiting Employment."

Article 5. In case the dismissed staff member or worker disagrees with the way his enterprise dismissed him, he may, within 15 days after receiving the certificate of dismissal, file a petition with the local committee for the arbitration of labor disputes, and request an arbitration; if he disagrees with the arbitration, he may pursue the case with the local people's court.

Article 6 . In case the dismissed staff member or worker deliberately makes trouble or pesters leading quarters, or interferes with the production, work, or social order, he will be handled by the Ministry of Public Security according to the Regulations of the People's Republic of China Governing Offenses Against Public Order.

Article 7. The people's governments of the various provinces, autonomous regions, and municipalities directly under the central government may work out their own detailed regulations for the purpose of implementation in accordance with these regulations, which shall be reported to the Ministry of Labor and Personnel for the record.

Article 8. These regulations shall be interpreted by the Ministry of Labor and Personnel.

Article 9. These regulations become effective on 1 October 1986.

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CSO: 4006/8

LABOR AND WAGES

ENTERPRISE WORKERS RECRUITING REGULATIONS

OW111325 Beijing XINHUA Domestic Service in Chinese 0607 GMT 9 Sep 86

[Text] Beijing, 9 Sep (XINHUA)--Provisional Regulations Governing the Recruitment of Workers by State Enterprises

(Promulgated by the State Council on 12 July 1986)

[Chapter I. General Principles

Article 1. These regulations are hereby laid down in order to reform the recruiting system of state enterprises (hereafter referred to as enterprises), to ensure the quality of recruiting work, to improve the quality of workers, and to meet the needs in the development of socialist modernization.

Article 2. Enterprises must recruit workers in accordance with the state plan for labor and wages, follow the principle of training before employment, openly recruit workers in society, examine them in an all-round way, and select the best applicants for employment.

Article 3. In recruiting workers, enterprises must practice the labor contract system.

Chapter II. Open Recruiting of Workers in Society

Article 4. Before recruiting workers, an enterprise should make public its general recruiting rules and procedures; qualified job-seekers in cities and towns and people in rural areas who are permitted by the state to seek such employment may enter themselves for the examination.

Article 5. In recruiting workers, an enterprise should make public a list of those who have passed the examination and are to be employed.

An enterprise must not recruit workers from among its workers' and staff members' relatives in any way, nor must it continue to let retired workers' "children take their places."

Chapter III. Examining Applicants Morally, Intellectually, and Physically and Selecting the Best for Employment

Article 6. Those who want to be recruited as enterprise workers must have these basic qualifications: They must have reached the age of 16, be in good health, have received a junior middle school education or above, and have acquitted themselves well.

Article 7. In recruiting workers, an enterprise should test them morally, intellectually, and physically; it may determine the contents and standards of such an examination according to the needs of its work or production. In recruiting apprentices, particular stress should be laid on testing their general knowledge; in recruiting skilled workers, particular stress should be laid on testing their professional knowledge and technical ability; and in recruiting people for strenuous labor, particular stress should be laid on physical examination.

Article 8. In recruiting workers for types of work in production which are suitable for women, an enterprise should hire women for such work.

Article 9. In recruiting workers, an enterprise should set a probation period. When a new worker is found unqualified during the period, the enterprise may terminate the labor contract with the worker, who will return to the place where his or her residence is registered.

Chapter IV. Organizational Control

Article 10. Departments in charge of labor administration, under the leadership of local people's governments, should be responsible for control of workers' recruiting by enterprises. Their main duties are: examining and approving plans for workers' recruiting, enforcing the recruiting policy, determining areas where workers should be recruited, examining general recruiting rules and procedures, and supervising and inspecting recruiting work.

Article 11. In recruiting workers, enterprises should register their employment of such workers with local departments in charge of labor administration and sign contracts with the workers in accordance with the "Provisional Regulations on Instituting the Labor Contract System in State Enterprises."

Article 12. Enterprises should recruit workers in cities and towns. Recruitment of workers from rural areas other than those permitted by the state, must be reported to the provincial, autonomous regional, or municipal people's government for approval.

Article 13. Enterprises must recruit workers in strict observance of these regulations. Recruiting workers in violation of these regulations is regarded invalid; in serious cases, those responsible should be investigated for their administrative responsibility.

Chapter V. Supplementary Articles

Article 14. State organs, institutions, and mass organizations should recruit workers in the light of these regulations.

Article 15. Provincial, autonomous regional, and municipal people's governments may formulate detailed rules and regulations for implementation in accordance with these regulations and report them to the Ministry of Labor and Personnel for the record.

Article 16. The Ministry of Labor and Personnel will be responsible for interpreting these regulations.

Article 17. These regulations will come into force on 1 October 1986.

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CSO: 4006/8

LABOR AND WAGES

TIANJIN TRADE UNION COUNCIL OPENS 11TH CONGRESS

SK140157 Tianjin TIANJIN RIBAO in Chinese 2 Sep 86 p 1

[Excerpts] On 1 September, almost 1,000 representatives of trade union members throughout the municipality got together in the municipal workers' cultural palace to attend the opening ceremony of the municipality's 11th congress of trade union members.

Attending the opening ceremony of the congress were leading members of municipal-level organs, including Li Ruihuan, Wu Zhen, Nie Bichu, Zhang Zaiwang, Yang Tyingheng, Wang Xudong, Ji Zenghui, He Guomo, Chen Yiyi, Zhang Dinghua, Bai Hualing, Zhang Lichang, Lan Baojing, Hao Tainyi, Wang Peiren, Li Zhongyuan, Liu Zengkun, Xu Ming, Yang Jianbai, Fan Quan, Yu Fujing, Liu Jinfeng, Xiao Yuan, Liao Canhui, Zheng Wantong, and Huang Yanzhi.

Li Ruihuan, deputy secretary of the municipal Party Committee and mayor of the municipality, delivered a speech at the congress. In his speech, he first gave a high appraisal of the achievements scored by the municipality in the workers' movement and in trade union work and then put forward the following two demands:

1. Efforts should be made to learn about the situation clearly and to heighten our spirit to push forward the municipal work in various fields to a new stage.

2. Efforts should be made to learn about our tasks clearly and to take the lead in conducting reforms and enforcing the policy of opening to the outside world.

Zhang Ruiying, vice president of the All China Federation of Trade Unions, also attended the congress and delivered a speech.

At the congress, Wu Zhen, deputy secretary of the municipal party committee, also delivered a speech on behalf of the municipal party committee, the municipal People's Congress Standing Committee, the municipal People's Government, and the municipal CPPCC Committee. In his speech he pointed out: Our municipality has experienced a great change over the past 5 years. The yearly average increase in total industrial output value has reached 8.3 percent. Economic results have steadily increased. The urban function has been continuously improved. The outlook of both urban and rural areas has also experienced a great change and the people's livelihood has been greatly improved.

Concluding his speech, he urged the trade unions at all levels to regard as their important tasks the work of heightening democratic ideology among staff members and workers, upgrading their democratic quality, and representing or organizing them to join the democratic management of enterprises and management over politics, the economy, culture, and other social affairs throughout the country.

The congress will last for 5 days. During the congress, the representatives will discuss the work report given by the 10th committee of the municipal Trade Union Council as well as the financial report given by it. They will also elect the 11th committee of the municipal Trade Union Council and the committee in charge of fund examination. In addition, they will exchange model experiences gained by the grassroots units in conducting trade union work.

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CSO: 4006/007

LABOR AND WAGES

GUONGDONG ADVANCES IN LABOR SYSTEM REFORM NOTED

HK120135 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 10 Sep 86

[Text] The province has carried out reform and made exploration of the labor system in four aspects, achieving gratifying results.

1. Since the 3d Plenary Session of the 11th CPC Central Committee, the province has reformed the employment system of unified arrangements and assignments, and people have been employed in different channels. According to statistics, during the Sixth 5-Year Plan, the province has placed some 2.49 million people in jobs, of whom about 1.7 million were unemployed urban residents. This has basically solved the long-standing difficulty of unemployed urban and rural youth in finding jobs.

2. The province has [word indistinct] pre-employment vocational training to staffs and workers, and has gradually promoted the method of putting training before employment, recruiting people through open examinations, and giving priority to those with better performance and qualifications. This has gradually upgraded the quality of the workforce and their employment ability.

3. The province has reformed the permanent employment system and the practice of eating from the same big pot, and has promoted the contract employment system. The province started the contract employment system very early. By June this year, there were over 370,000 contract workers in the province.

4. In connection with the reform of the labor system, the province has instituted the social labor insurance system. All prefectures and cities in the province have established the retirement pension system and the social labor insurance system for contract workers. Since 1984, the province has promoted the overall retirement fund system for staff and workers in units owned by the whole people.

However, the reform of the province's labor system was neither systematic nor perfect. A thorough reform of the labour system is urgently needed.

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CSO: 4006/007

LABOR AND WAGES

BEIJING PLANS TO IMPLEMENT LABOR REFORM

SK151200 Beijing BEIJING RIBAO in Chinese 4 Sep 86 p 1

[Excerpts] Reform of the labor system will be carried out in our municipality in an active, steady, and step-by-step manner.

Reform of the labor system includes the implementation of the labor contract system, reform of the worker recruitment methods of state enterprises, dismissal of discipline-violating staff members and workers of state enterprises, and the enforcement of the insurance system for job-waiting staff members and workers of state enterprises. The State Council has issued provisional regulations on these four fields of the labor system reform to various units.

On 30 August, Vice Mayor Han Boping spoke to leading persons of the units at the district, county, and bureau levels on plans for our municipality's implementationof the labor reform.

Speaking on why should reform of the labor system be conducted, he pointed out:

First, the labor system of our country was gradually established and developed after the founding of the country. Under given historical conditions, such a method of centralized placement played a positive role in ensuring employment and economic construction. However, following social development, many defects have appeared. Such centralized placement of laborers at enterprises with administrative methods, which enabled laborers, as permanent workers, to maintain lifelong unchanged labor relations with enterprises, deprived enterprises of the decisionmaking power in selecting staff members and workers. They had dfficulty transferring in personnel they need and transferring out those they did not need, and had to take in all the surplus personnel. Workers would posses "iron rice bowls" once they were assigned to enterprises, holding a lifelong job. The vitality of enterprises was restricted because they could not readjust their labor structure in line with the requirements in the development of their own production. In addition, staff members and workers also lacked autonomy in selecting jobs and work units. Unable to have their jobs changed once assigned, workers often found that they were not doing what they had been trained for. As a result, staff members and workers were not turned to best account, had difficulty fully developing their talents and creativity, and were unable to play their role as masters of the state and carry out their democratic rights.

Second, economic structural reform calls for a corresponding reform of the labor system. Invigorating enterprises is the central link in economic structural reform, and reform of the labor system is an important aspect of the endeavor to invigorate enterprises. If laborers are placed at certain enterprises permanently, possessed by units or departments, and unable to transfer rationally in line with needs in production, the progress of the entire economic structural reform, which will lack an important supportive link, will be affected.

Third, reform of the labor system is a requirement in the endeavor to grant more decisionmaking power to enterprises and invigorate them. Granting enterprises more autonomy in personnel is an important link in invigorating enterprises. Under the condition of a socialist commodity economy, enterprises are relatively independent commodity producers and distributors, and should have corresponding decisionmaking power in dealing with personnel and financial and material resources. If enterprises lack personnel autonomy, and are unable to use the people they need or dismiss those they do not need, they will face organizational overlapping and overstaffings, lax discipline, and a productivity that is unable to improve.

Fourth, reform of the labor system is also a common desire and requirement of the masses of laborers. Over a long period of time we have fostered an idea that egalitarianism and the life-tensure system embodies the superiority of the socialist system. This is a misunderstanding. It is a vivid embodiment of the superiority of the socialist system to provide labor opportunities and social insurance to laborers, but the superiority of the socialist system finds expression not only in guaranteeing the labor rights of citizens but also in "awarding the industrious and punishing the lazy." We should allow a small number of people to wait for jobs and be employed again so that they will feel the pressure and the motive force.

Han Boping pointed out: In short, following the continuous development of the economic structural reform, the time has come for us to reform the labor system. Beijing municipality should carry out this reform successfully in line with the arrangements of the party Central Committee and the State Council.

Li Ximing, secretary of the municipal party committee, also spoke. He urged party organizations at all levels to fully understand the arduousness and complexity of labor reform and conscientiously strengthen the ideological and political work related to this reform in order to ensure its smooth progress.

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LABOR AND WAGES

BRIEFS

SHAANXI CONTRACT WORKERS--The more than 100,000 contract workers in industrial and commercial enterprises in Shaanxi have already become a backbone force with relatively high political and technical qualities. They have thus demonstrated the great vitality of the reform of the labor system. According to data provided by the provincial Labor and Personnel Department, since 1982 reforms of the labor employment system have been carried out in the coal, textile, metallurgical, machine-building, and light industries and in supply and marketing, banks, and other trades in the province. By the end of June this year, some 120,000 contract workers were working in these enterprises. Contract workers are products of the new employment system, and their destiny is closely linked to enterprise reforms. Many of them are spontaneously concerned for enterprise reform and management and have actively dedicated themselves to reform. A certain degree of management talent has emerged among them. [Excerpts] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 10 Sep 86 HK] /12232

SHAANXI MINERS' WAGES DOCKED--The 12 September SHAANXI RIBAO frontpages the news that Jinhaushan Mine of Tongchuan Mining Bureau failed to meet its August quota. As a result, the wages of all its cadres and workers have been docked. Ordinary cadres and workers have had their wages docked by 5 to 10 percent, and the mine leaders by 20 to 30 percent. [Text] [Xian Shaanxi Provincial Service in Mandarin 0100 GMT 12 Sep 86 HK] /12232

LABOR EXCHANGES HELP WORKERS--Beijing, September 11 (XINHUA)--In their first six months of operation, the seven labor exchanges in Shenyang, capital of Liaoning Province in northeast China, helped 19,000 workers find jobs, the PEOPLE'S DAILY reported today. The exchanges "promote the rational flow of personnel" to enterprises most in need of workers, the communist party paper said. Started by the city government a year ago, the exchanges provide information on job openings to prospective workers, alert enterprises to workers who are available and negotiate the transfers of groups of workers from one enterprise to another, according to city officials. In addition, they said, the exchanges provide household service workers and help surplus workers in rural areas find jobs in Shenyang. More than 28,000 individuals applied to the exchanges for help during the first six months of operation, said the paper, which did not provide more recent figures. [Text] [Beijing XINHUA in English 0116 GMT 11 Sep 86] /8309

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TRANSPORTATION

BRIEFS

JIANGSU PORT BOOSTS CAPACITY--Nanjing, September 8 (XINHUA)--Zhangjiagang port in Jiangsu Province, one of China's leading inland river ports, will boost its annual cargo handling capacity from last year's 3.4 million tons to 15 million tons by 1990, a port official told XINHUA today. Located at the lower part of the Yangtze River, the port now has six berths, including four for 10,000 dwt ships. The port administration plans to build from now to the end of this century another 22 berths for 10,000 dwt ships to increase the ports cargo handling capacity to 25 million tons a year. A new port city is arising, the official said, adding that projects completed include an international seamen's club, a customs building, hotels, restaurants, banks, telecommunications facilities, schools, office buildings and workshops. [Text] [Beijing XINHUA in English 1208 GMT 8 Sep 86] /8309

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PUBLICATIONS

BRIEFS

NEW MONTHLY JOURNAL--The first issue of CHINA TRADE AND INVESTMENT is due to be published on October 5 in Hong Kong, according to an official of the China Market Publishing Corporation [CMPC] of ECONOMIC DAILY. The new monthly journal will be jointly launched by the CMPC, the China International Advertising Corporation and the Han's Chinese Cultural Development Company Ltd. of Hong Kong. The English journal, with excerpts in Chinese, aims to promote trade and economic cooperation between China and other countries and will be published worldwide. With the new magazine's appearance, the journal CHINA MARKET, jointly produced by the CMPC and the Economic Information and Agency of Hong Kong, will stop publication. [Text] [Beijing CHINA DAILY in English 15 Sep 86 p 2] /8309

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